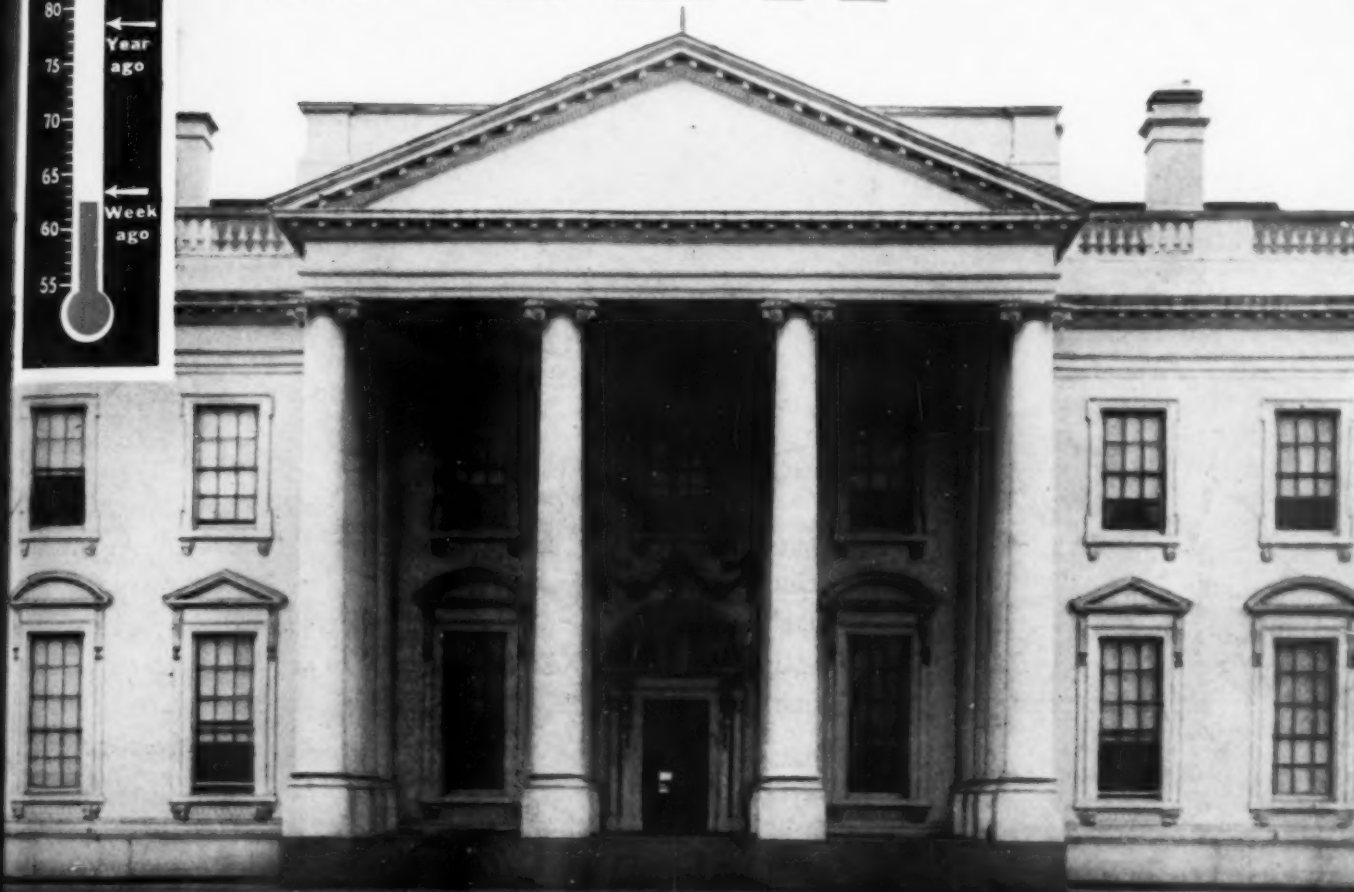


JAN. 22  
1938

JAN 24 1938

# BUSINESS WEEK

BUSINESS  
INDICATOR



Harris & Ewing

**CONTACT MEN**—Important in the current open-door policy at the White House are such behind-the-scenes intermediaries as Edward F. McGrady, Donald Richberg, A. A. Berle, Jr., Rexford Tugwell, and Secretary of Commerce Roper.

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# You can't move your plant to the **OIL FIELDS**



—but, because Republic Steel pioneered electric resistance welded line pipe, the natural fuels of distant fields are pumped to your plant, your home and your car at low cost.

This single development has saved gas, oil and gasoline users untold millions of dollars. But there are others of equal or greater importance . . . new alloys for drill bits and a new heat-treated casing that cut oil and gas production costs . . . double strength steels

that minimize tank and truck costs . . . new corrosion- and heat-resisting steels that make possible better refining processes.

But, perhaps, you are not interested in the petroleum business. You make bicycles or textile machinery or locomotives or toys. Republic Steel makes steels for every industry and a few minutes spent with a Republic man will bring you up-to-the-minute on the latest steels developed for your own product. You *are* interested in knowing that story. Republic Steel Corporation, Cleveland, Ohio.

## **REPUBLIC STEEL**

BERGER MANUFACTURING DIVISION  
UNION DRAWN STEEL DIVISION  
NILES STEEL PRODUCTS DIVISION

### *Facts about* **REPUBLIC**

- Is now operating the world's widest and most modern hot and cold strip mills. This means larger sheets than ever before available . . . and offers new possibilities to industry for product design at lower fabrication costs.
- Is the world's largest producer of electric resistance welded casing, tubing, line pipe and conduit.

STEEL AND TUBES, INC.  
TRUSCON STEEL COMPANY





## Customers... 3 for a Penny!

How much is the comfort of a good customer worth? A customer—or a prospect—with purchases to make and money to spend? Certainly more than a third of a cent! Yet the records of countless business men during the unsettled business conditions since 1930 show that Carrier Air Conditioning costs no more, frequently less than that amount.

A "bargain?" Certainly. Judged solely on its effectiveness in creating new customers, Carrier Air Conditioning is a profitable investment, regardless of business conditions. But Carrier Air Conditioning does more. It helps to hold old customers. And in the cool, clean, quiet atmos-

phere that Carrier Air Conditioning assures, customers take the time needed to overcome hesitancy, make more purchases, spend more money. And there's less soilage—an important feature where merchandise losses total thousands of dollars annually.

Who benefits with Carrier Air Conditioning? Everyone. Not only the Macys, the Radio Cities and the Waldorf-

Astorias of business, but the smaller enterprises as well... the corner drug store... the small department store or retail shop... the neighborhood theatre. For Carrier, with its wealth of knowledge gained through devoting 36 years exclusively to air conditioning, and its experience in making installations throughout 99 countries of the world, has designed and perfected

equipment to meet every need—dependably, economically.

Regardless of the nature of your business, regardless of its size—by all means learn what Carrier Air Conditioning can do for you. Your local Carrier representative will give you complete information—or mail this coupon—but act now, while your installation can be made most advantageously.



★ ★ ★  
CARRIER CORPORATION  
Syracuse, N. Y., Desk 163  
Without obligation, send me complete information on Carrier Air Conditioning for my ☐ store; ☐ office; ☐ factory; ☐ home.  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_



HOTELS—More Guests STORES—More Customers RESTAURANTS—More Diners, Bigger Checks BANKS—More Patrons



# FLORIDA



## FOLLOW THE SUN

To blue skies and swaying palms. Travel by train and save time. Fourteen daily fast through Florida trains—6 from New York and East; 8 from Chicago and the West.

**EASTERN TRAINS** \*Florida Special (51st Season), \*Gulf Coast Limited, \*The Miamian, \*Havana Special, New Palmetto Limited. Also the \*Everglades, fast non-stop train from Washington 9:20 a.m. daily, with early morning arrivals at Miami, St. Petersburg, Tampa and other South Florida resorts.

\*Via F. E. C. Ry., Jacksonville to East Coast points.

SEND YOUR CAR—by train,  
too. Economical—Convenient

Offices in Principal Cities

ATLANTIC COAST LINE RAILROAD

## THE DEAD MAN'S HAND!



\*"Dead Man's Hand" of the Old West was black aces, red eights.

"The Live Hand" of today is the one that carries on the back of each card a picture of your product or your trademark or sales message.

It takes advantage of today's tremendous vogue of Contract Bridge. It puts your advertising intimately before prospects with no other advertising competing for attention.



Write on your business stationery for interesting FREE booklet "The Winning Hand"; ways of increasing your business with advertising playing cards.

Headquarters for  
Advertising  
Playing Cards

**BROWN & BIGELOW**  
REMEMBRANCE ADVERTISING

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Makers of Calendars and Advertising  
Specialties Since 1896

# NEW BUSINESS

Down in the Guajeras region of Venezuela where certain American companies are aiding the development of rich oil reserves, the Motilone Indians have not heard that when gunpowder came in, spears and bows and arrows went out along with coats of mail and other iron jerseys. American Petroleum Institute's publication, *Sidelights of Industry* (which became a weekly with the Jan. 17 issue) reports that things looked bad for the American oil men until they received a shipment of coats of mail. Modern iron jerseys, weighing 5 lb. each, fend jagged arrows and spears admirably, and development continues on schedule.

In New York, this week, International Business Machines Corp. dedicated its new World Headquarters Building at Madison Ave. and 57th St. to "the attainment of permanent world peace through the expansion of international trade." In a one-hour world-wide radio broadcast, Jan. 17, addresses on the subject were made by Dr. Nicholas Murray Butler, president of Columbia University and of Carnegie Endowment for International Peace, and by Thomas J. Watson, president of the company and of the International Chamber of Commerce and a trustee of Carnegie Endowment. The new 20-story building contains 100,000 ft. of floor space.

Coincidentally with the building's dedication, Remington Rand, Inc., friendly competitor, extended congratulations to International Business Machines through five-column newspaper advertising. Remington Rand likewise holds the view that "vigorous promotion of world trade will do more than arms to promote prosperity, peace, and goodwill between nations."

On the basis of preliminary returns in *Electrical West's* annual survey of new utility construction and improvement in the 11 Westernmost states, central station systems there will spend some 38% more this year than last. The survey, not yet quite completed, reveals so far that 22 companies, comprising 70% of the Far West's generating capacity, will spend \$45,445,000 in the next 12 months for plant expansion and new equipment; in 1937 they spent \$34,002,000. The figure does not include state and federal expenditures, which, of course, will raise the total impressively.

Last week, H. D. Ingalls, superintendent of maintenance for American

Airlines, Inc., was awarded the accolade by Airline Engineers and Maintenance Conference as "the outstanding man in maintenance work during 1937." Recommendation for the honor were made by each commercial airline in the country; a committee appointed by *Aviation* made the final selection.

Next week the 5th International Heating and Ventilating Exposition, which serves industry as a clearing house for new ideas not only in heating and ventilating but in refrigeration and air condition as well, will hold forth at Grand Central Palace, New York, Jan. 24 to 28. From Jan. 24 to 26, the 16th Annual Boston Shoe Show will be at Hotel Statler, Boston. And later in the week, the International Air Show will fill the International Amphitheatre, Chicago, from Jan. 28 to Feb. 6.

Still another example of intelligent product diversification will be found in the acquisition by Monsanto Chemical Co., St. Louis, of all the assets of Fiberloid Corp., Springfield, Mass. Fiberloid products include sheet plastic for windshields, cast phenolic resins, plastics of the cellulose nitrate and acetate types. Monsanto, which has furnished many of the raw materials used by Fiberloid Corp., was the recent proud recipient of *Chemical & Metallurgical Engineering's* 1937 Award for Chemical Engineering Achievement in the production of elemental phosphorus.

With some companies reducing sales forces, William P. Bradbury, general sales manager of Manning, Maxwell & Moore, Inc., and R. R. Wason, president, are adding nine new trained men on Feb. 1, increasing their sales force by 25%. Keynote for the 1938 selling of their valves, gauges, safety valves, and industrial control instruments was expressed by Mr. Bradbury: "We take our inspiration for this single-handed fight against the recession from our world-famous salesman, 'Diamond Jim' Brady. . . . He started with our company as a cub salesman selling railway supplies and ended up as a multi-millionaire."

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# WASHINGTON BULLETIN

**WASHINGTON (Business Week Bureau)**—Nothing probably will serve business better at this time than a literal report on developments in Washington. After consulting the President's closest advisers and impartially weighing all circumstances that report is: No change. New Dealers to Roosevelt's right sincerely hope that cooperative action will come out of his conferences with business leaders who have taken the initiative in an attempt to break the spell of mutual distrust. Skeptical though they may be of the achievements of the proposed planning council, they believe that the door has been opened to better feeling. New Dealers to Roosevelt's left are elated by the continuing violence of his attacks along the entire front of big industry and finance.

## Who's Got the "In"?

To report that either Donald Richberg, ex-administrator of NRA, or Bob Jackson, the trust-buster, is the President's No. 1 boy would not be stating a fact. Nobody in or out of the Administration is more perplexed than these two men. Superficially, it would appear that both exert considerable influence. Actually, the President is playing one against the other—or, more exactly, playing the philosophy of the one against the philosophy of the other. Jackson, whose view, like Roosevelt's is colored by politics, holds that business is bound by the chains of monopoly and that monopolies must be crushed. Richberg stands on the proposition that what is done to restore prosperity must be done by business as constituted at present, either by trade associations or by big people with big influence.

## Contrasting Views

It's a paradox that, at bottom, Jackson is more conservative than Richberg. He clings to the old anti-trust doctrine of competitive freedom, ostensibly to encourage the little business man, while Richberg sees as a necessity a cooperative set-up to mitigate the evils of indiscriminate competition under a law that would tell business men, acting as a group, what they might do as well as what they might not do. Curiously enough, much the same idea was expressed by Attorney-General Cummings in a speech lost in the welter of Jackson Day eloquence.

## Skeptical About NRA Pattern

The President has given lip service to Richberg's general line of approach but

is cautious because it inherits the stigma attached to NRA by its opponents who decried it as merely a means of making monopoly tolerable. Roosevelt was surprised and annoyed this week, however, that his attempt to damn all big corporations as "holding companies" sucking the life blood out of local enterprise, raised such a hullabaloo. Actually it was nothing new to those who remember their New Deal primer, but, coming at this time, it was more upsetting than the President anticipated and as a result he went through the motions of backtracking a bit.

## Playing on Local Sympathies

Roosevelt's attack against Wall Street was lifted from a speech made the next day by Jackson in Rochester, disclosing the strategy of playing on public opinion by localizing the appeal: e.g., "The cooperation which industry needs is protection against a low-wage policy in this country, protection against low standard competition from outside of this state, and protection of our local industries, utilities, merchants and banks from parasitic, absentee concentration of ownership and management."

## Political Economics

The President is, of course, playing politics at the same time that he is studying economics. The business men visiting the White House try to understand this. Their only plea is that he refrain from prescribing political remedies for economic ills. If he would have government representatives sit around the table with them in planning future operations they, who presumably know the workings of industry if not politics, would like to have a chance at least to tell him whether his plans for business will work or not. One significant angle that these conferences have developed is Roosevelt's disagreement with his callers on facts.

## Lone Hand

The President still is noncommittal on his next move. While he is using several of them, he has not taken Corcoran, Cohen, Richberg, Jackson, Lubin, Draper, Roper, or his leaders in the House and Senate into his confidence. Their uncertainty is as great as that of any half dozen business men. *Business Week's* prediction is that, after all the business men have come and gone, leaving only the necessity of action, the President will make the plunge in another fireside talk. But even after that there is likely to be more talk than action.

## Mexico Raises Tariffs

Tariffs on all of Mexico's major imports are raised by decree this week. Increases range from 65% to as much as 400%, are applied equally to all goods coming into the country. Reason for the increase, according to Mexican authorities, is the need to keep imports and exports in balance if the peso is to be held at its present level of 3.60 to the dollar. In the first 11 months of last year, the United States shipped Mexico almost \$100,000,000 worth of products, 95% of which were at least partially manufactured, so henceforth subject to the new duties. Next week, after the detailed tariff decree has been analyzed, *Business Week* will publish a summary of the old and new Mexican tariff schedules on those items principally supplied from this country.

## Opening Up Patent System

Compulsory licensing of patents is confidentially reported to be foremost among proposals advanced in Administration quarters to check monopolistic practices deriving from alleged abuse of patent rights, referred to by the President in his recent message to Congress.

## Labor's Need Critical

Participation of labor in the White House conferences is an element that is most likely to exert influence on the President, for labor's present plight constitutes a tremendous political hazard to the New Deal. It is the urgency of the existing situation that is drawing Lewis and industrial executives together in a common cause and brought them to Washington to talk with the president without animosity.

## Relief Load Near Limit

WPA rolls hit 1,850,000 this week. The maximum that Harry Hopkins' organization will be able to carry without more money from Congress is 1,900,000. An additional appropriation of at least \$200,000,000 now is a certainty, for WPA has not reached its normal winter peak and any increase in unemployment will swell that peak.

## New Deal Purge

Rum runners and alky makers used to liquidate each other during prohibition. Communists stand communists up against walls in Russia. Nazis knife Nazis in Germany. Now New Dealers are planning to purge New Dealers.

## MODERNIZE HEATING IN MEDIUM-SIZED APARTMENT-HOTEL

Owners of Hotel Lowell Install  
"Self-Liquidating" Webster  
Moderator System

SAVE \$2,017 IN THREE YEARS

Installation Is "Repeat Order"  
from Owners of Syracuse  
Office Building

INCREASE HEATING COMFORT

New York, N. Y.—How Webster Heating Modernization can be fitted into the budget of a medium-sized apartment hotel has been demonstrated by the owners of the Hotel Lowell, at 28 E. 63rd Street.

"Ordinary operating costs in a building of this type leave little room for building improvements, unless the improvement happens to be self-liquidating."

This is the opinion of the J. H. Taylor Construction Co., whose affiliate, the 28 E. 63rd Street Corporation, owns the Hotel Lowell.

From their experience with the Webster Moderator System in the State Tower Building, Syracuse, they were quite certain of effecting the savings which Warren Webster & Co. estimated for this building.

Placed in operation in the Hotel Lowell on November 1, 1934, the Webster Moderator System saved \$2,017.58 during the ensuing three heating seasons. The cash value of steam savings for these three years, after correction for degree day differences, is as follows:

1934-35 .....	\$615.42
1935-36 .....	724.18
1936-37 .....	677.98

Residents of this well-known apartment hotel are now enjoying the finest modern heating service. Steam distribution is balanced so that all sections of the building heat evenly and rapidly.

Installation of Webster System Equipment was made by John L. Murphy, Inc., New York heating contractors. There is a total of 9,883 square feet of installed direct radiation.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address

1889 WARREN WEBSTER & CO., CAMDEN, N. J. 1938

Pioneers of Modern Steam Heating

50 YEARS OF HEATING PROGRESS

Representatives in 60 principal U. S. Cities

SEE WEBSTER EXHIBIT

HEATING AND VENTILATING EXPOSITION  
New York, January 24 to 28, 1938



Hotel Lowell  
New York

And that's something that worries even the No. 1 New Dealer—especially since the would-be purgers insist on picking for the political guillotine men whom "Papa" has delighted to honor. Chief concern at the moment is for "Dear Alben" Barkley, Senate majority leader. "Happy" Chandler, elected governor of Kentucky over a non-conformist by the most earnest efforts of Roosevelt and Farley, is now planning to take Barkley's seat by the primary route. He now "owns" the machine Farley helped him build; so Barkley is scared and Roosevelt is concerned.

### Holding Out on Roosevelt

The President's "item veto" proposal has been ditched but will bob up again. It's the kind of thing that is adopted eventually. The real objection now is to giving Roosevelt this power. With such a prerogative he could reduce or eliminate one or more items from an appropriation bill without having to veto the measure in its entirety. A two-thirds vote by Congress would restore any item, but this procedure doesn't allow for possible compromise by reconsideration. The President now is exercising, in the name of economy, extra-legal authority by withholding funds appropriated by Congress for purposes that he doesn't approve. This is getting under the skin of a lot of Congressmen but it's not likely that anything will be done about it.

### Can't Hold Out on Navy

Appropriation of \$138,063,150 for warship construction in the next fiscal year, just approved by the House committee, will look like small change before Congress finishes. Actually the appropriation is a cut of \$9,637,000 below budget estimates, which is paradoxical when everybody on Capitol Hill knows a new building program is coming that is likely to total \$400,000,000 or \$500,000,000 in next five years.

### No Brakes on Shipbuilding

As a matter of fact, naval construction during the year beginning July 1 will be limited only by available facilities. Just as many big ships will be laid down as there are ways to hold their hulls. Congress wants not only more dreadnaughts—the big 16-inch gun kind—but airplane carriers. Then there will be provision for that whole fleet of auxiliary craft which the navy has wanted for years and which now it will get, partly as a result of the Panay sinking and partly because Congress is very willing to "make work" to relieve unemployment.

### Heading for TVA Showdown

Like a stray shot in a quiet sector, the Supreme Court decision sustaining PWA power loans has roused heavy

artillery in the Tennessee Valley. Wendell L. Willkie, of Commonwealth and Southern, wants to sell out and Lilienthal wants to buy, but not the same property and certainly not at the same price. Meanwhile, TVA is attacked by Sen. Bridges for selling to big business rather than to the little consumer, who has been largely isolated by the multiple injunctions just now overruled.

### Flood Control and Power

New England's refusal to chip in toward the cost of flood reservoirs on a basis which would yield the states no control over incidental power is largely responsible for a shift in the Administration's flood control plans which will shortly be submitted to Congress. To hold on to control of power, Roosevelt will pass up the requirement for local contributions in certain cases. The determining factor will be whether or not saleable by-products will result from dam construction. The idea is not new but it has been the exception rather than the rule.

### Press-Radio Divorce Later

No move to divorce broadcasting stations from newspaper ownership, which the President again is agitating, will come to a head this session. Sen. Wheeler, chairman of the Senate Interstate Commerce Committee, who parted company with Roosevelt on the Supreme Court issue, is still interested because of his objection to Anaconda Copper's radio tie-up in Montana but he isn't planning to get action now. Eventually, a compromise is likely to prohibit local press-radio monopolies over public opinion.

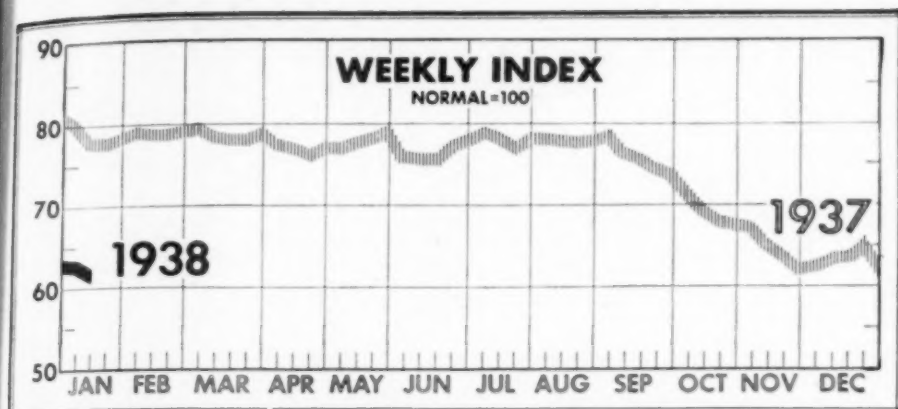
### Federal Driving Control

Congress will gag on but finally swallow the provision in Rep. Cartwright's new federal-aid highway bill, stipulating that no more funds will be given to states that fail inside of the next two years to enact and enforce an adequate code for safety of operation, including licensing of drivers. Next week's hearings on the bill will release protests against this move to centralize more authority in Washington by manipulating the purse strings, but state highway departments recognize that they will be forced to accept the proposal that *Business Week* predicted would be the next step in administration of the federal road program.

### Coastwise Subsidies Doubtful

Odds are heavy against a subsidy for intercoastal shipping. The West Coast is pleading the cause of national defense on a troubled Pacific but it's thinking about more tourists and the advantage of competitive rates to the East. What the coast may get is the vacant post on the Maritime Commission for one of its sons.

# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## The Figures

Latest Week	62.3*
Preceding Week	63.3†
Month Ago	64.5
Year Ago	78.6
Average 1933-1937	66.7

## PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	29.8	27.8	23.5	80.6	46.0
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$8,033	\$8,263	\$8,605	\$8,205	\$8,689
Engineering Construction Awards (Eng. News-Record, 4-wk. daily average)...	\$8,214	\$8,252	\$8,698	\$7,786	\$8,481
*Bituminous Coal (daily average, 1,000 tons).....	1,080	1,189	1,669	1,780	1,450
*Electric Power (million kw.-hr.).....	2,115	2,140	2,202	2,264	1,826

## TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Ct-loadings (daily average, 1,000 cars).....	92	88	104	117	96
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	58	55	62	72	59
*Check Payments (outside N. Y. City, millions).....	\$3,835	\$5,128	\$4,531	\$4,581	\$3,542
*Money in Circulation (Wednesday series, millions).....	\$6,395	\$6,510	\$6,596	\$6,371	\$5,642

## PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.05	\$ .98	\$ .97	\$1.40	\$ .96
Cotton (middling, New York, lb.).....	8.61¢	8.64¢	8.41¢	13.04¢	11.03¢
Iron and Steel (Steel, composite, ton).....	\$38.97	\$38.93	\$38.90	\$36.55	\$32.37
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.781¢	10.604¢	10.125¢	12.958¢	8.83¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	151.8	151.8	148.7	208.9	149.3

## FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Bond Yields (Standard Statistics, average 45 bonds).....	5.86%	5.69%	5.55%	4.09%	4.89%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.95%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	0.75%	1.03%
Business Failures (Dun and Bradstreet, number).....	265	268	200	186	345

## BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,599	2,603	2,631	2,476	2,438
Excess Reserves, all member banks (Wednesday series).....	1,390	1,270	1,057	2,103	1,741
Total Loans and Investments, reporting member banks.....	21,333	21,249	21,068	22,797	19,839
Commercial and Agricultural Loans, reporting member banks‡.....	4,501	4,517	4,645	§	§
Security Loans, reporting member banks‡.....	1,467	1,468	1,567	§	§
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,228	9,181	9,286	10,515	§
Other Securities Held, reporting member banks.....	2,010	2,842	2,882	3,243	§

\*Factor in Business Week Index. \*Preliminary, Week Ended January 15. †Revised. ‡New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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## Rediscover Your Business...

### THROUGH MODERN BUSINESS MACHINES AND METHODS

**R**ediscover the possibilities which exist in your business, in the light of present-day conditions. Times have changed, new demands have developed and new standards have been set up, but the prime object of business today, as in other days, is to build profits.

As the machines of manufacturing and construction have moved forward to meet new production demands, so have accounting machines been developed to record and facilitate those demands.

Today, the call for accuracy and speed in obtaining important business facts is ideally answered by International Business Machines.

International Business Machines and methods

simplify routines, save time and furnish short-cut procedures. They bring efficiency and a saving of money, minutes and material. Today, they are serving business and government in seventy-nine different countries.

Find out how you can rediscover profitable possibilities in your business with International Business Machines.

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# THE BUSINESS OUTLOOK

THE third week of the new year has been characterized, broadly speaking, by a continuance of the business trends marked out in the first two weeks. In short, industry seems to have found at least a temporary base line. The 1937 decline, so swift that analysts have had to go back to the crisis of 1907 to find a parallel, culminated in a sharp drop in the final week of the year. There the indexes met what the stock market calls a resistance point. Business is now moving sideways; at worst there is a welcome breathing spell and at best the lows may have been seen.

## Encouraging Contrast

Steel operations this week were scheduled at 29.8% of capacity, the third increase from the 19.2% scheduled for the week after Christmas. Automobile assemblies have moved up from the holiday week low. The trend of power output, carloadings and other important indicators is mixed; there are both improvements and losses on a seasonally adjusted basis. Bank loans and investments, and demand deposits, have recovered, respectively, most and all of their large losses over New Year's Day. Commodity prices are holding several points above their November and December lows. The total picture may not be a bright one, but the contrast with any three-week period from Labor Day to New Year's is definitely encouraging.

## Clean-up Still On

This does not mean that the readjustments required for a sound recovery are behind us. Far from it, most of them are still ahead. Many inventories are still a long way from being cleaned up. Stocks of raw materials and finished goods in the hands of manufacturers at the year-end were apparently as high as they had ever been, barring the possibility of some as yet unreported reduction in December.

## Clogged Warehouses

It is understood that steel inventories held by consumers have gone through much of the necessary reduction, and a revival of raw material buying points to some depletion elsewhere; but the general picture is still one of clogged warehouses. The same applies to wholesalers' stocks, which will hardly be worked off before spring. Durable consumers' goods in the hands of manu-

facturers and distributors alike are the sorest spot. Even the energetic sales campaigns planned for next month will scarcely bring inventories of such articles as automobiles and electrical appliances down to normal before next summer.

## Non-Durable Goods

The best inventory position is doubtless that of non-durable goods—textiles, shoes, and the rest—especially those in the hands of retailers. Stocks were still high at the last reporting date, but this was before the Christmas buying and the January sales. Articles are moving into the hands of consumers at a rate fast enough to justify the prediction that retail inventories will be almost back to a normal level by the end of this month.

## Room for New Buying

The important point to bear in mind is the drastic reduction in ordering which took place after Labor Day. Forward commitments plus inventories give a truer insight than the latter alone, and this total must be so much lower now than it was last summer as to offer plenty of room for a new wave of buying. In fact, such buying is already in progress, at a better rate than has been seen since last summer—with retailers, wholesalers, and manufacturers taking part. Buying is still strictly hand-to-mouth and is likely to continue so for the present, but it gives definite promise of spreading and expanding.

## Price-Wage Problem

In addition to inventories, definite readjustment is still required in prices and costs. Steel is the key to the situation. Prices and wages in this basic commodity are both above 1929 levels and defy absorption by a national income which is currently running considerably under that level. If a planned reduction of unit prices and hourly wage rates can be effected harmoniously and quickly, it may release a strong tide of buying. With the present frozen price structure, this buying is likely to be postponed, and steel operations may find a resting place little above 30% of capacity. But a readjustment could easily enable operations to rise to better than 50% at the spring peak and, at the same time, open the log jams in automobiles, building, and other consuming industries. Whether the Federal Reserve in-

dex of industrial production lingers near 85 (as compared to 117 last August) or rises to 95 by April may depend essentially on this factor in the situation.

## Washington Readjustments

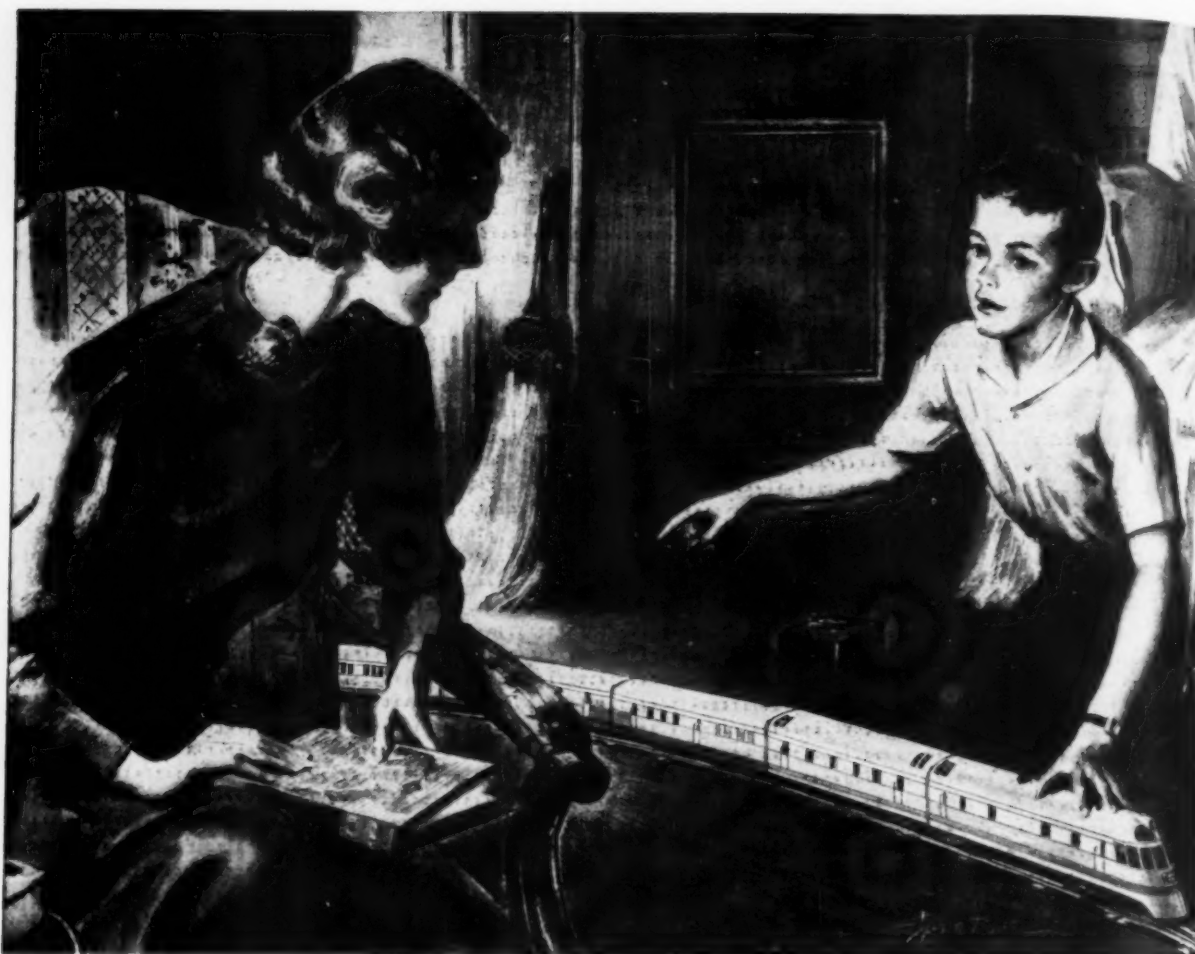
These are some of the business readjustments, but the track cannot be cleared without some readjustments out of Washington. The utility outlook is clouded this week as the issue between the Administration and the industry is sharpened in an exchange of newspaper statements. The railroad future is darkened by the Erie receivership; but hearings on the petition for a freight rate increase conclude on Feb. 9, and the feeling is growing that a decision may be forthcoming in record time thereafter. The result is no certainty, but, informed opinion would be least surprised by an increase averaging 10 or 12%.

## White House Conferences

In the broader field of business-government cooperation, the Washington conferences are continuing. Behind the scenes there is a sincere effort to reach a compromise, perhaps a withdrawal of threatening gestures in return for reemployment activities and support of established reform measures. For the moment the Washington angle contains promise.

## Spring Upturn Prospects

Various readjustments will be taking place steadily during the whole first half of 1938. But there seems to be no convincing reason now why they should not take place along a business curve which at first stabilizes and in the spring shows signs of improvement. The next months deserve to be watched and studied in terms of this hypothesis of a spring pick-up. This is the perspective which should be kept in the minds of business men as they try to plan ahead for 1938. Undoubtedly the period before us will be interspersed with days of discouraging news. Payrolls and farm income will be down from 1937—only in part offset by relief outlays; industrial earnings will be down perhaps 40 to 50%; dividends will be cut. But these unfortunate secondary consequences of the autumn collapse, while they will inspire caution and keep premature advance within strict limits, should not be allowed to deflect one's vision from the main picture of a probable spring improvement.



**"This is like a real light-weight train, Mother"**

*"You see, you can't always tell by the way a train looks whether it's really light-weight. I mean, it may just be painted up or something. And any train can be made to look streamlined."*

*"But a REAL light-weight train is built of stainless steel. It's such a strong metal that they only use about half as much of it—and that's where they save weight. Of course, stainless-steel trains are streamlined. You can usually tell them because it's such a bright, shiny metal. It doesn't need to be painted."*

*"I watch the ones that go by here every day—all the kids do—and they certainly look slick. Comfortable too. They have all kinds of new seats and lights and things in them. And they're always packed with passengers."*

The searching eyes of youth see with refreshing clarity. And young minds are quick to reject anything that is not quite the best.

The Edw. G. Budd Manufacturing Company builds trains of stainless steel because no better metal has been found for light-weight construction. Having four times the elastic strength of ordinary steel, stainless steel permits the building of railroad cars that weigh forty to fifty per cent less than conventional equipment. Welded into strong single units by the exclusive SHOTWELD process, these light-weight cars are fully as safe as the older, heavier cars.

There are many reasons why travelers are enthusiastic about Budd-built trains. They are comfortable, smooth-

riding, beautifully appointed. Seats on these swift trains are often reserved months in advance.

Budd-built trains have traveled millions of miles in regularly scheduled operation, in all parts of the country, and have set remarkable records of performance. Whatever the motive power—steam, diesel or electric—light-weight cars cost less to pull. They are making money for the railroads—and new friends for railroad travel.

*Originator of ALL STEEL bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.*

**EDW. G. BUDD MANUFACTURING COMPANY** PHILADELPHIA AND DETROIT

**BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT**



# BUSINESS WEEK

JANUARY 22, 1938

## Sitting Around the Table

**Conferences of business men with President, promoted by group of "intermediaries," seek better understanding, may lead to cooperative planning program.**

WASHINGTON (*Business Week Bureau*) — When President Roosevelt makes his next fireside talk, he can, if he will, report that 1938 has seen the first practical approach to the economic planning which he has talked about since 1932. That is the real significance of the current White House conferences in which business leaders, including labor representatives, have sat around the table with the President and with members of an intermediary group who think they can bring about the business-government cooperation which is essential to practical economic planning.

So far, only a beginning has been made and there will be many further conferences, among business men themselves and with the President, before any definite pattern of cooperation can develop. How definite that pattern can be is still to be seen. Some of those concerned foresee, at most, an understanding that government heads will discuss with business leaders policy proposals that are bound to affect business. Others look beyond that to the organization of an actual business-labor-farmer advisory group that will work in continued close cooperation with government. Donald Richberg, former NRA director and now a Washington lawyer, envisions a job as intermediary in setting up a system of industrial groups that will adopt voluntary trade practice codes and plan their business in consultation with government experts. The President has talked of this as a possibility.

### Aim at an Understanding

The business men have been very definite, as far as they have gone. From many of the newspaper accounts, these conferences would appear to have been highly spontaneous. This is not the case. Inside and outside such organizations as the National Association of Manufacturers and the Chamber of Commerce, industrial heads have been conferring for some time on ways and means of getting business realities into the political picture. A few may have started from the viewpoint that the recession has given them extra leverage in Washing-

ton; more are working from the conviction that the objective is an understanding, not just a bargain.

A significant feature of some of these conferences is that they have brought in labor leaders. John L. Lewis actually went to the White House with Owen D. Young of General Electric and Thomas W. Lamont, J. P. Morgan partner, and the newspapers made the most of such sure-fire drama. However, other labor leaders have been equally active behind the scenes, notably George M. Harrison, president of the Railway Labor Executive Association.

### Business Wants a Hearing

From such conferences the business men have carried to Washington the definite statement that when proposals are made for political purposes they would like a chance, as business men, to give their opinion on whether such proposals will work. They have suggested that the President name a group of government officials with whom they could thresh things out in detail. They have told Mr. Roosevelt

flatly that Washington attempts to talk down prices and wages are discouraging orders and making the situation worse. They have held back, so far, anything that would look like a list of legislative demands but they have urged a hearing of business' interest in the consideration of legislation.

### "Middle-men" Work on Program

The intermediaries in this attempt at a rapprochement are important. Of course, Sec. Roper's assemblage of his Business Advisory Council gave him the limelight this week but more effective middle-men than Uncle Dan are active, some of them entirely behind the scenes. Inside the Administration, Ernest G. Draper, assistant secretary of commerce, has for some time been working on a program of business-government cooperation which has brought him into conference with various business groups. Closer to the President, James Roosevelt has been counted among those interested in what is now going on. Outside the Administration, Richberg, Edward F. McGrady, Rexford Tugwell, and A. A. Berle, Jr., all former New Deal officials, have been serving as middle-men. Richberg sat in at the White House with the Sloan group; Tugwell and Berle showed up with Messrs. Lamont, Lewis, and Young. To these names might be added that of Bernard Baruch, who, whatever his differences



**WHAT DID YOU TALK ABOUT?**—That's the big question as those White House conferences continue. In the foreground John L. Lewis and Owen D. Young ("Industry and Labor Confer with President") meet the barrage that results in headlines. But like other White House visitors, they felt developments on the business-government-labor-recession front are too tentative for binding discussion.

## The Old Leviathan Ready to Make Her Last Voyage



Wide World



International

SOMETIME within the next two or three days, the old *Leviathan*—largest ship ever to fly the American flag and dear to many a war veteran as *his* ship—will be tugged out of her Jersey berth and will start slowly out to sea on her last voyage. Since the war, when she did transport service after being seized from German hands, the old "Levi" has been the No. 1 problem of U.S. shipping. Big, but expensive to operate, she had no chance against newer and faster boats.

Never a money-maker, she constitutes a prime reason why the Maritime Commission is set against super-size vessels. For three years she has done nothing but rust at a pier on the Jersey flats, until several months ago the U.S. Lines sold her for \$732,000 to a British firm—to be broken up for scrap. In recent weeks, a skeleton crew has cut ten feet off mast and funnels to clear bridges in England. Now rusty controls (right) and wheezy machinery are ready for the "last mile."

with the New Deal, has always been an insider at the White House.

These intermediaries are not in agreement on how far government-business cooperation can go. Richberg, as noted, has a fairly elaborate pattern of organization in view. The so-called Tugwell-Berle group is reported to feel that it will be sufficient to arrive at a basis of friendly understanding. Putting first things first, all are concerned in getting the past differences out of the way of recovery from the present recession.

Washington believes the President is very much in earnest when he talks about working out a method of having government and business sit down together on business planning, and it sees the present move toward a closer understanding with business as a forerunner of such a program. It assumes that these preliminary moves will strengthen the current business situation, but it also wonders if what the President sees at the end of the road is planned economy with the government dictating the planning.

## Liquor Price Defy

**National Distillers cancels minimums in New York, challenging retailers' group.**

IN July, 1935, the Pepsodent Co. abruptly repudiated all the minimum price contracts it had issued under the California state law.

In October, 1935, at the annual meeting of the National Association of Re-

tail Druggists, Pepsodent appeared with a \$25,000 check and an apology.

This week, when National Distillers Corp. announced a similarly abrupt termination of all contracts issued under New York's fair trade law on its domestic liquors, the friends and foes of price-fixing in all lines of distribution were forcibly reminded of the Pepsodent incident.

Would history repeat itself? Could the independent liquor retailers in the biggest, most competitive, and most price-conscious market in the world duplicate the almost air-tight embargo the California druggists had imposed on Pepsodent in California?

## Fair Trade Laws Have Multiplied

Assuming that no "deal" can be arranged to compromise the issue, this will stand as the first big clash between a nationally known distributor and the independent retailers since the "fair trade" laws came of age. When Pepsodent went to the mat, only 10 states had fair trade laws; now there are 42 state laws and a national enabling act.

Despite their success in stemming the price wars of the past two months, the New York City liquor retailers are not as well organized as the California druggists were in 1935. The Retail Liquor Package Store Associations in various New York City boroughs may have difficulty in persuading some of their own members to keep the National Distillers' brands under the counter, when the department stores and other big-volume outlets are making quick sales and quick profits at cut prices on those brands.

Again, although the association leaders have accused the company of a lack of good faith in enforcing the price contracts—and it was these allegations which made National Distillers cancel—they may have difficulty in making their charges stick, for the company brought 16 court actions on charges of price-cutting and won all of them. And there are likely to be some retailers who won't feel that that record justifies reprisal.

## Support from Other Dealers

On the other hand, New York City retailers can count on substantial support for their boycott from other liquor dealers throughout the country and on aid and comfort from other retail organizations, notably those in books and drugs, which realize that the whole "fair trade" system of price-fixing is at stake. For if National Distillers wins out, other big liquor companies may follow suit fast—thus, incidentally, clearing themselves of the price conspiracy charges which the Federal Trade Commission has preferred. And there are some big drug manufacturers who wouldn't be far behind.

Consumer demand, whetted by reductions of 30% and 40% on National Distillers' bottled-in-bond brands just before the cancellation, may not be strong enough to pull N.D. goods out from beneath the independents' counters, but it's sure to ring up sales records in some of the big-volume outlets. And as long as total volume holds up, National Distillers isn't going to be too much worried about who does the business at retail.

# France Faces Stormy Weather

**Embargo on capital exports may be necessary if new cabinet cannot end instability. Social laws increased costs and scared investors.**

A DARK political cloud hangs over Paris this week, and there is a forecast of stormy weather ahead for France.

The political storm blew up a week ago when a new wave of strikes started a fresh drain of frightened capital to London and Amsterdam. The franc collapsed. It looked for a day as though all the monetary gains which the conservative Mr. Bonnet had accomplished during the eight months he was finance minister were to be wiped out.

The first blow has passed over. Premier Chautemps resigned when his left wing (Communists and Socialists) refused to support his drastic legislation to force arbitration of all strikes. But the Socialists, and all other alternates, were unable to form a cabinet with a platform on which they could agree and could expect support from parliament, so—after going the rounds—the choice came back to M. Chautemps, who accepted the task only when assured majority support in Parliament without dependence on the Communists.

The outlook in France is bad because the fundamental problems which have caused trouble for the last three governments have not been solved.

## Popular Front's Promises

When the first Popular Front government was chosen in France in June 1936, with Léon Blum as the leader, it was pledged "to defend democracy, purify the press, and win for labor the right to bargain collectively." To the workers, it promised a shorter working week, old age pensions, unemployment insurance, and a public works program to absorb the unemployed. To the peasants, it promised a better return for farm products and readjustments of debts. To the financial world, it promised (or threatened) strict control over the Bank of France, nationalization of the war industries, democratic reform of the tax system, and the control of capital exports.

The three groups which supported the Popular Front—the Communists, Socialists, and the Radical Socialists (really the conservatives of the bloc)—had won a majority in the national elections, and set out at once to carry out the reforms which they chose to call France's New Deal, and had admittedly copied from Washington.

Blum found out that it was one problem to provide liberal social legislation but quite another thing to enforce it. Employers protested that the 40-hour-week ruling was too rigid (workers in some cases refused to allow machines

to operate more than 40 hours), that labor failed to hold up its end of the bargain to speed output, and that the new costs (including paid vacations) wiped out all the advantages of devaluation and put French industry in the same unfavorable position it had been in from the time the British and Americans had devalued their currencies.

## Why Blum Ministry Fell

The inability of the Blum government to cut costs, end the strikes, and restore confidence among the country's big investors who had placed their money abroad, ultimately caused the downfall of the Blum government.

Keystone of the successor government was Georges Bonnet who, as finance minister, had the confidence of financial Paris. With Premier Chautemps, he set out from the first to cut government costs, do away with the scare tactics of the Blum government, and attract capital back to France. This meant that the budget should be balanced, and an end put to the epidemic of strikes.

Bonnet succeeded in cutting costs drastically, improving the market for government financing, calling a labor truce at least for the duration of the Paris Exposition, and lining up an ordinary budget for 1938 which showed a small surplus. Then came the general strike in Paris on Dec. 29.

Chautemps handled the Paris strike vigorously and promptly, but it reminded the public that the labor problem had not been solved. Also, many of last year's labor contracts are due to

expire in the next few months. Cautious investors decided that it was time to get their money out of the country before it was trapped. The renewed flight precipitated the fall of the old Chautemps government.

The outlook for France is not bright. Paris has tried twice to devalue the franc and give business the fillip which came in other countries after devaluation, but the results are negative. In spite of the recent mild recession, British business activity is still nearly 14% ahead of 1929, and the gain in Sweden is 46%, but French activity is almost 30% below the 1929 level.

France boosted wages by decree a year ago, but purchasing power has been slumping steadily since 1933, and has dropped another 15% since the Popular Front came to office. Wages are up, but the cost of living has risen more rapidly (more than 26% in the last year and a half), and in only a few lines where government rearmament orders are available is industry ahead of where it was in June, 1936.

## Unfavorable Balance Increases

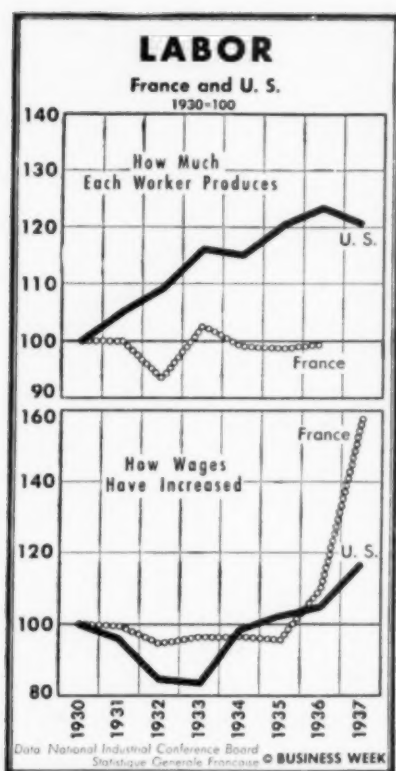
Foreign trade expanded last year, but imports gained so much more rapidly than exports that the unfavorable balance was nearly double what it was in 1936. A cheaper franc increases the cost of imported raw materials, while the rapid increase in production costs cuts the competitive export advantage.

France is up against the same distrust between government and business as the United States, but France has run into a period of mutual recrimination at a time when the country's economic foundation was less well able to withstand it.

There is no evidence yet that effective compromise measures have been formulated by Paris. The new Chautemps government, freed of the need







of depending on the Communists for support, will need to use all its resourcefulness, and probably a good deal of force, if it is to bring the situation under control. It seems doubtful now if it will be able to withstand left wing



**NEW DEAL CONTRASTS**—Production per man hour in France (see labor chart, left) failed to hold up, while in the United States it gained rapidly. French labor insists a lack of modern machinery prevented comparable gains.

## F.D.R. Puts Utilities in a Hole

**Willkie complains that President's plan would junk two-thirds of companies' investments. Little relief is now expected from federal courts.**

THE battle between the New Deal and the public utilities this week had been boiled down to its simplest elements, and still nobody seemed to know what was to come of it. That is to say, at least one great public utility system had made what looked to be its rock-bottom offer toward conciliation; and then President Roosevelt went on record flatly for the abolition of all holding companies—industrial, railroad, banking, etc., as well as utility. Both sides have stated their cases and they are as far apart as in 1933.

The holding company—the 4-inch tail which wags the 96-inch dog, as the President sees it—now becomes the crux of the situation. A few weeks ago President Roosevelt offered peace if the public utilities would accept the "prudent investment" theory of property valuation for rate-making purposes. President Wendell L. Willkie of Commonwealth & Southern Corp. replied that the utilities would squeeze out the

"water" injected in the old days and would apply the prudent investment theory henceforth (*BW*—Dec 11 '37, p13).

Met on what the utilities feel were his own terms, the President now asserts that it's all very well to talk about such a settlement with the fairly dry operating companies, but how about the water-logged holding companies? At a press conference, the President accused Mr. Willkie of wanting to freeze the utility systems as they are now—to perpetuate the present holding companies.

And again Mr. Willkie has replied. He has said, in effect: "Buy all our properties in the Tennessee Valley Authority's area, and we'll gladly get out." The price for these properties—which comprise more than half of Commonwealth & Southern's nearly \$1,200,000,000 of assets—would be determined by a board of three. The President would name one member, the Supreme Court one, and the utilities the third. Mr.

Willkie says there isn't a dollar of water in his utility system.

This proposal, says the blond-haired boy of the TVA, David Lilienthal, is a "radical scheme." Peace can be made much more simply, he says. The municipalities which want to take TVA power will buy the utilities' distribution systems.

That, of course, was just what Mr. Willkie expected in the light of past experience. The municipality is willing to buy distribution facilities within its city limits; the transmission lines and generators which turn out the power and bring it to the city (they cost twice as much as the facilities in the city) would be junked, unless TVA were to buy them, as Lilienthal suggests it might in some cases. The utilities' stockholders would be out of pocket two-thirds of their investment.

### The Industry's Dilemma

These two sets of facts and opinions constitute the power industry's dilemma—and, if the President were to carry out his abolition-of-all-holding-companies theory, a similar dilemma might face all industry although this seems very remote. No utility man will hazard a solution. They all recall how President Roosevelt extended the olive branch before last election (*BW*—Sept. 26 '36, p13) and how he dropped the utilities out the window after the votes were counted. They think he has dropped them out again after offering to compromise on the "prudent investment" valuation theory.

Adding to their despair, many utility

executives are coming more and more to agree with *Business Week's* suggestion (Jan 8 '38, p. 17) that they aren't going to get much help from the courts. They feel that the government will win its

test case to compel Electric Bond & Share and affiliates to register; they fear the utilities will lose on most points in the 18-company suit brought against the TVA.

## New Tax Plan Brings Relief

**House proposal makes vast change in undistributed earnings tax, and modifies the levy on capital gains. Small companies get special consideration.**

LAST week a subcommittee of the House Ways and Means Committee settled the question of who got hit by the undistributed earnings tax when it submitted its proposed revisions of the federal tax laws. The small corporation, because it could not evade the levy by dividend payments as easily as the large corporation, had to pay heaviest. And this week the House was busy putting the proposed revisions of the Revenue Act of 1936 through the legislative hopper—with special dispensations for the small company.

For corporations with net incomes of less than \$25,000, the proposals eliminate the surtax, thus exempting approximately 90% of the nation's in-

corporated enterprises from the pressure of paying out dividends. For larger corporations, the House proposes a flat 20% tax; but for each 10% of net income paid out in dividends, a reduction in the tax rate of 0.4% is granted. Thus, for a company paying out half its earnings in dividends, the effective tax rate would be 18%; for a company paying all its earnings in dividends, the rate would be 16%.

Graduated taxes would apply to corporations with incomes of \$25,000 or less, at the rate of 12½% on the first \$5,000; 14% on the next \$15,000; 16% on the next \$5,000. That would represent a step-up in rates. Under the Revenue Act of 1936, the normal tax of

### Soaking the Rich?

The following tabulation, derived from U. S. Treasury statistics for 1936 tax returns filed by 144,914 corporations, settles the question of what size corporation—large or small—was hardest hit by the undistributed earnings tax.

It shows that the big enterprise by paying out an average of 90% of its earnings in dividends cut its surtax bill to less than 1% of its adjusted net income, whereas the very small company's surtax bill came to 4.41% of its earnings, because it paid out a very much smaller proportion in dividends.

Corporations by size of taxable net income in thousands of dollars (omit)	% Undistributed Earnings Tax to Adjusted Net Income*	% of Surtax to Earnings, Actually Retained	% of Net Income Paid Out in Dividends	Effective Total Tax Rate in %
Under 5 . . .	4.41	7.01	35.95	12.52
5-10 . . .	3.38	8.18	56.79	12.69
10-15 . . .	3.36	10.83	66.99	12.94
15-20 . . .	3.26	12.18	70.48	13.16
20-25 . . .	3.21	13.26	72.89	13.39
25-50 . . .	3.37	14.44	73.06	14.12
50-100 . . .	3.41	15.41	74.55	15.14
100-250 . . .	3.29	15.18	75.02	15.70
250-500 . . .	2.82	14.46	77.54	15.43
500-1,000 . . .	2.52	13.97	78.89	15.18
1,000-5,000 . . .	1.88	13.44	83.72	13.54
5,000 up . . .	0.93	10.44	90.27	11.11
Aggregate . . .	2.10	12.52	81.20	13.26

\* Adjusted net income is income after normal taxes (exclusive of income from tax-exempt securities), but before the undistributed earnings tax.

### His Nomination Leaves All Quiet on the Potomac



Underwood & Underwood

AS WASHINGTON awaits Senate confirmation of the appointment to the Supreme Court of Stanley Reed, shown above with his wife and their son, this fact stands out—that the nomination, following as it does the Black incident, has met with as little criticism as any appointment possible under the circumstances. The reason for this is clear. Mr. Reed has been a staunch Administration supporter, and hence is agreeable to New

Dealers. And to conservatives, fearful that the President would pick a radical, the nomination came as a pleasant surprise.

As Solicitor General, Mr. Reed has been the New Deal's ace trial lawyer, winning 8 and losing 2 major cases in the Supreme Court. He's a liberal, not a radical. And above all else he's a lawyer. His forceful advocacy of New Deal measures has left observers with the impression simply of a man working for a client.

a corporation with a net income of \$25,000 would amount to \$2,890, whereas the House proposal calls for a \$3,525 payment to Uncle Sam.

Corporations with incomes in excess of \$25,000 are given a special option of figuring taxes on \$25,000 of their income at the graduated rates for small corporations (but income from tax-exempt securities, though not taxed, must be included in this \$25,000); and all income above \$25,000 is taxed at the rate of 32%. Or, rejecting this option, they may file returns on the 20% tax base, less the dividends-paid credit, whichever yields the lower tax. For corporations with only ordinary net income and paying no dividends, it is advantageous to file a return under the option if net income is \$37,291, or less.

Under the House proposal, the undistributed earnings tax is only the profile of its original self. In effect, instead of penalizing corporations for failing to pay out earnings, the House subcommittee offers a bonus on all disbursements to stockholders. Furthermore, the spread of 4% between the minimum and maximum levy is moderate compared to the 7% to 27% surtax rates imposed by the Revenue Act of 1936.

Hearings on the House report are not expected to produce anything more than a tentative bill. The Senate probably

will dish up the draft that will approximate the bill the President ultimately signs. Instead of having an actual bill for consideration of witnesses, the Ways and Means subcommittee has merely offered a series of proposals.

In its report, the subcommittee made public a Treasury tabulation which showed the results of the undistributed earnings tax, and decided once and for all time that the small corporation was hurt most.

### Figures Substantiate Theory

That accords with generally accepted theory on the law's effect (*BF—Dec 11'37, p47*), but not until the subcommittee made public the statistics of 144,914 corporation returns for 1936 (see table, page 17) was the theory substantiated by facts. Whereas the corporations with \$5,000 or less net income paid out 36% of their earnings in dividends, the big corporations, with earnings of \$5,000,000 or more, distributed 90% of their income to stockholders. Result: the tiny corporation paid a surtax equal to 4.41% of its adjusted net income; the mammoth corporation got by with 0.93%.

As applied to corporations with incomes of less than \$5,000 to \$25,000, the effective tax rate ranged from 12.52% of taxable net income to 13.39%. Highest effective rates applied to companies with taxable incomes ranging from \$25,000 to \$1,000,000, and the lowest rate to corporations with net incomes of more than \$5,000,000.

The tenor of the subcommittee's report was assurance to business that the present federal tax system will be substantially modified by the time Congress gets through with a bill. The capital gains tax is to be modified and ultimately it is hoped that the federal tax laws will be codified. Further, mild concessions are made to business on the carryover of losses from preceding years in the computation of taxes. But it's too early yet to come to any conclusions. The House hearings represent only the first lap of a long race.

## G.M.'s Diesel Plans

**Company reveals that engines of different kinds will be built in three factories.**

DETROIT (*Business Week Bureau*)—Outlined by General Motors this week were its complete diesel engine plans for the immediate future. Engines will be built in three plants. Detroit Diesel Engine Division, scheduled to get under way in a few weeks, is to turn out engines from 22 to 160 hp. in mass production for buses, trucks, tractors, road building machinery, etc. Winton engine, renamed Cleveland Diesel Engine Division, will take care of engines

## 100 Years Old—83 Years With One Company



**M**ANY an industrial company has a veterans' club. None, claims the Milwaukee Railroad, can equal the record of its prize employee, John M. Horan, who has spent 83 years with the railroad and this week celebrated his one hundredth birthday.

Mr. Horan, after years of service that exceed the average life span, refuses to accept a retirement pension and still puts in a full day's work as a boiler washing inspector. He is erect, mentally alert, and firm of step.

The picture above was taken in April, 1937, and shows P. H. Nee, General Superintendent of the railroad, pinning an 82 year service button on Mr. Horan. Company officials celebrated Mr. Horan's 100th birthday this week with a luncheon in his honor.

from 200 to 400 hp. for larger industrial needs and also will merchandise complete "packaged" power plants for lighting plants, etc. It will reach production in a few months. Electro Motive Corp. in La Grange, Ill., is to build the railroad diesels when the plant is completed.

Carefully avoided in the G.M. announcement is any mention of possible use of diesels for passenger cars.

All sales except those of railroad engines are to be handled by the Diesel Engine Division of General Motors Sales Corp., with headquarters in Cleveland. General Motors Parts Corp. will handle national service and parts. A complete national distribution system for smaller engines is to be set up. General Motors Acceptance Corp. will participate in wholesale and retail financing. Gray Marine Motor Co. in Detroit has the franchise for adaptation of the Detroit-made engines for marine uses. Larger marine engines will be handled by the Cleveland Diesel Engine Division.

From a manufacturing standpoint, the G.M. diesel setup is ingenious. There are only three cylinder sizes, one for each plant. Variation in horsepower is secured by merely adding more cylinders. Thus Detroit is to build one, three, four, and six cylinder engines, each cylinder of 71 cu.in. size.

Cleveland's engines, which run up to eight cylinders, have 223 cu.in. per cylinder, and Electro Motive has been assigned a 503 cu.in. cylinder size. This

makes possible the use of identical tooling for making wide varieties of engine sizes in each plant.

The Detroit plant is laid out for 50 engines per eight-hour day, the largest capacity yet set up for diesel engines.

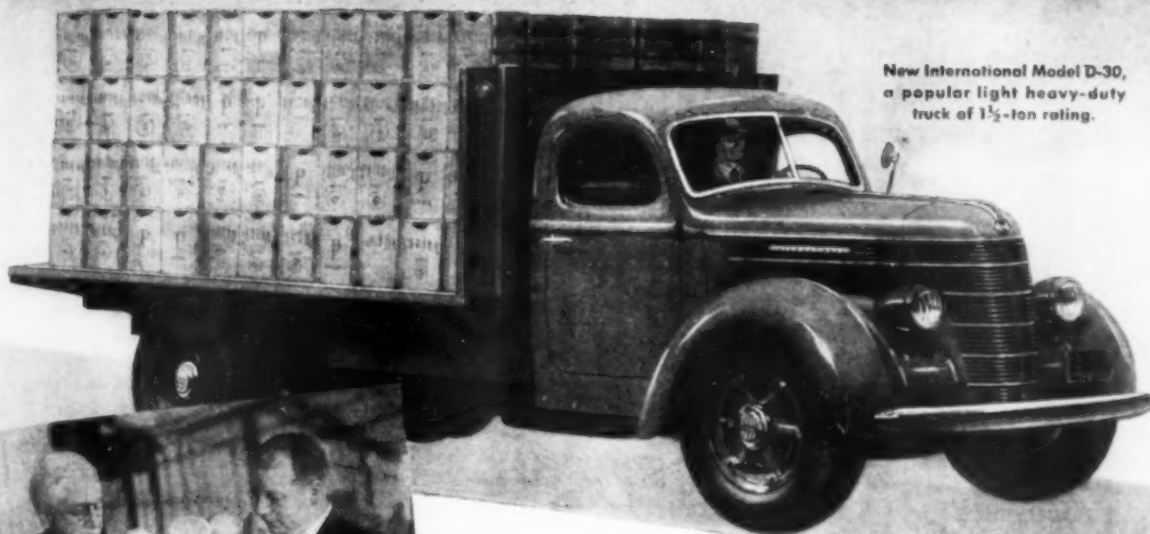
### Types of Equipment

The "packaged" units to be sold by the Cleveland Diesel Engine Division for industrial and agricultural purposes include such items as generator, fuel supply equipment, switchboard, radiator, base, etc., already assembled, ready to go in service. As to the engines, they are "two-cycle" types with twice the number of explosions per revolution that there are in a conventional gasoline engine. Thus a three-cylinder diesel is comparable to a six-cylinder gasoline engine in power output. One result is lower weight, running around 10 to 15 lb. per hp., which isn't much over that of gasoline engines. Ordinary fuel oil can be used. Engines are designed so that they will run in either direction. Cylinder heads can be turned around so that accessories can be mounted on either side of the engine. First unit to be completed, the Detroit diesel plant, is a modern glass and steel structure with no overhead belts. Next to it is the new diesel laboratory with soundproofed and vibration-free test rooms and an assembly plant for experimental engines. All employment needs have already been taken care of, according to G.M.



# EXPERIENCE *and* QUALITY

## ..together make *Reputation*



New International Model D-30,  
a popular light heavy-duty  
truck of 1½-ton rating.



### INTERNATIONAL HARVESTER COMPANY.

Gentlemen:

It is with pleasure that we give you this order for eight semi-trailers. These trucks to be used hauling fruit from the groves to our packing house. While we are on the subject, we would like to tell you about the record we made with Internationals last season, which we don't believe has ever been equalled by any fleet of motor trucks.

As you know, we purchased from you last year six Model D-30 Internationals of 3-ton capacity, to be used with semi-trailers. Now we ask you to follow us closely.

With these six Internationals and semi-trailers we transported from our packing house in Dade City to the steamship lines in Jacksonville over 400,000 boxes of packed citrus fruit. At the end of the season the total mileage on these six trucks was 555,247 miles, ranging from 80,000 to 102,000 miles on each truck. The total cost for repairs due to natural wear was only \$10.00 for the six trucks. The trucks operated under continuous strain. Every truck has carried the maximum load on every trip as allowed by our state law, which is 34,000 pounds gross.

We are more convinced than ever that the quality and expert engineering in International trucks make them the most economical and dependable trucks on the market. Wishing you success for the years to come, we are

Yours truly,  
PASCO PACKING ASSOCIATION  
By L. C. Edwards, Jr.

International  
reputation  
on the job —  
L. C. Edwards,  
Sr. and Jr., of  
Tampa, Flor-  
ida, write us  
the letter  
shown here.

Divide a \$93 repair bill by 555,000 miles and the answer, according to Mr. Edwards of Florida, is convincing proof that "the quality and expert engineering in International Trucks make them the most economical and dependable trucks on the market."

If trucking costs are an item of importance in your business, the letter from Mr. L. C. Edwards, Jr., of the Pasco Packing Association, at the left, talks *your* language.

Mr. Edwards happens to be in the fruit business—but no matter what *your* particular business may be, there are innumerable firms with similar problems getting the same highly satisfactory results from hauling by *International*—and telling us so.

For well over 30 years, International Harvester has been building trucks with not only dependability in mind, but *economy of operation* as well. Time alone has not built the reputation and preference for these trucks—*performance per dollar* on the cost sheets has been the answer.

Today Harvester experience and high-grade workmanship are available in a completely new line of Internationals ranging in size from light-delivery units to powerful six-wheelers. At your service, at all International dealers and Company-owned branches.

INTERNATIONAL HARVESTER COMPANY  
180 North Michigan Avenue (INCORPORATED) Chicago, Illinois

# INTERNATIONAL TRUCKS

## "Independent" Union Convention

It's planned for Feb. 20 in Buffalo. Indianapolis man organizes new national federation of locals. Remington Rand group is interested.

A MIDWESTERN plan for a national convention of "independent" labor unions, a trend toward city-by-city groupings of such unions, and the effects of the business slump which cut into elaborate plans of the big federations more than it hurt the relatively simple scheme of local associations, posed a question for industrial relations observers and advisers this week. The question: What part are the "independent" unions going to play in the 1938 scramble for collective bargaining rights?

To date, the bulk of advice given business men by management counsel has tended to discourage hopeful outlooks on the chances of "independent" unions to survive. Voluminous records are available to show that hundreds of "independents," company unions, or

employee representation plans were washed out of existence during the past two years, and that in some places management wasted time and money trying to go along with them. It became an axiom with many industrial relations men last year that only two futures were open to "independents": Gradual weakening and disruption, or amalgamation with a strong national group.

A third option was open, however, and in some sections entrepreneurs began to put "independent" unions together, to form local councils of considerable size.

This was done successfully, for instance, in Buffalo, where nine unions in as many different industries, claiming some 20,000 members, were joined during 1937. Similar campaigns,



"S" IS FOR STRIKER—But although Fred Galloway's middle name is Striker, the Indiana union organizer says he wants labor to organize "for the right to work, not the right to strike." Son of a coal miner, Galloway started in the mines in 1905 at the age of 14, later became a railway shop worker and locomotive fireman, then was organizer and lobbyist for A.F.L. unions in Indiana, finally served two terms in the Indiana legislature.

mostly in embryonic stages, are reported elsewhere.

Meanwhile, several individuals who noticed the rise of collective bargaining under NRA and again under the Wagner Act, also noted that a considerable number of employees and employers seemed reluctant to deal with the American Federation of Labor or the Committee for Industrial Organization. Why not, they suggested, form a third national federation? At least one of these operators, Fred S. Galloway of Indianapolis, asked the question by wire and letter of every "independent" he could reach.

### A Man of Union Experience

Galloway is denounced as a self-seeking politician and stooge for company unions by some interests, praised as a public-spirited man of vision by others. He is without doubt a man of long labor union experience, a politician with some success in a state noted for politicians, and a very persuasive talker. When the labor flareup at Hershey, Pa., resulted in a switch by the chocolate-making workers there from a C.I.O. group to an "independent," he already had been waiting for a couple of years to sell his idea. At Hershey last August the first "convention" of labor leaders opposed to both C.I.O. and A.F.L. made him president of a new combination, at Indianapolis last November a name was announced—National Federated Independent Union.

Suggestions to "independents" that they join, made principally by mail, have brought quite a number of nibbles, enough acceptances to allow the formation of a board of directors from

**WROUGHT  
IRON for  
Air Conditioning  
Corrosion**

• Handling corrosive brines and quantities of water is an old story with wrought iron, but a "new" problem in air conditioning. Wrought iron's record of 30 and 40 years in refrigeration systems—wrought iron's wide use by leading architects and engineers—are your cues to the material for your air conditioning equipment. Avoid premature failures and expensive replacements by insisting on

the corrosion resistance and low-cost-per-year that wrought iron has already demonstrated. Illustrated bulletin "Wrought Iron in Refrigeration and Air Conditioning Systems" covers the subject thoroughly.

A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

**BYERS**

**GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS**  
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

few outright refusals. Some have been skittish, like the Buffalo group which replied: "We know there is a need for an organization of independents, but hesitate to link our name with an organization designed to give company unions a cloak of respectability by joining a nationwide labor movement."

Best-known among the unions interested in the Galloway movement is the Remington Rand group, headed by Reginald Boote at Ilion, N. Y. Scattered listings of other supporters include laundry workers, butchers, machinists, electrical workers, retail clerks, and other kinds of employees in a heterogeneous collection from places as small as Hannibal, Mo., or Little Falls, N. J., and as big as Pittsburgh and San Francisco. Galloway himself estimates the present number of employees thus loosely grouped under the N.F.I.U. banner at approximately 350,000.

### Criticizes Both A.F.L. and C.I.O.

To the observation that the new setup is a "paper federation" and that it is mostly Galloway, the national president has no objection. His answer is that the A.F.L. was a paper federation during the depression and that the C.I.O. wasn't even that. Incidentally, he rakes both of the big groups fore and aft, playing no favorites. His own ideas run along industrial union lines, but he says that the C.I.O. fell down for lack of able administrators.

National dues for the "independent" members have been set at 10¢ a month, and the initiation fee at a dollar. But the dues aren't supposed to start until March, and Galloway isn't using much money—at least not in ways evident to the casual observer. Two weeks ago, he and nine of his 14 board members met in a small, bare office in Indianapolis which serves as the national headquarters. The sole member of the press present, a *Business Week* staff member, had lunch with the national president at his favorite eating place, a crowded short-order restaurant where the oyster stew is excellent.

### National Convention Planned

Just how much the N.F.I.U. depends on personal ambition, and whether it can count on active support from employers who see it as the savior of the open shop, is impossible to determine. Certainly Mr. Galloway has his bland blue eyes wide open, and he knows a lot about labor unions, rackets, politics, and mass appeal. He and his board are planning a national convention to begin Feb. 20 in Buffalo, and they say they will open the eyes of folks all around the country. They contemplate political action both nationally and locally, city and state councils, headquarters eventually in Washington, and everything else that the

## THE NEW INDUSTRIAL DICTIONARY

(Third Revised Edition)

Old words have new meanings these days. It will pay every manufacturer to learn the new definitions.

**com'pe-ti-tion**—The low-cost plant (there's one in every industry) which can undersell you.

**field-an'gi-neer**—Warner & Swasey representative who can help you find ways to cut costs on your turning work.

**fu'ture**—Time when plants who modernize now will be in position to reap greatest rewards.

**in-vest'ment**—Money spent which returns a profit. Investors in new Warner & Swaseys report average of 20% net profit per year.

**mod'ern-ize**—Act of putting yourself in position to compete with low-cost competitor.

**op'er-a'tor**—Individual you would like to cooperate with. Method: give him equipment that is less tiring, lets him show his skill, lets you both earn a profit on whatever production you have.

**prof'it**—What is left after costs are paid. Obsolete word in out-of-date plants; used daily in modern plants.

**re-ces'sion**—Period in which business goes to plants where modern machinery makes possible low cost and precision workmanship.

**stock'hold'er**—Worried, drooping individual. To revive: increase profit by cutting costs.

**tax**—(generally pronounced \*!-!-?!.\*!!) Weakness which can prove fatal. Cure: strengthen profit margin by reducing costs, best done by replacing wasteful equipment.

*If these and similar words are worrying you, perhaps our experience with other plants in applying the right meaning in the right place may be helpful to you.*

## WARNER & SWASEY

Turret Lathes  
Cleveland

You can turn it better, faster, for less... with a Warner & Swasey.



## Choose THE ADVERTISING AGENCY That LIVES in YOUR MARKETS



To meet today's aggressively competitive conditions, choose the advertising agency that *lives* in your markets; that can fortify your sales plans with intimate and authentic market information; that can work for you locally in the important buying areas of the country. ● This is modern advertising agency service! ● And you get it—when you appoint a member of Continental Agency Network as your advertising agency. You find that their national viewpoint, their national coverage completely rounds out the clearly established advantages of medium-sized agency service. ● As a member of C. A. N., the advertising agency in your area is part of an association of twelve independent, nationally recognized advertising agencies—each of which acts as the regional office for the others. As *your* advertising agency it offers you regional service through its associates in eleven major markets—when needed. ● Is it working? The C. A. N. agency nearest you will gladly show you how *well* it is working! Call them in—or write them (or Headquarters) for the brochure that fully explains C. A. N. operations.

SEE HOW C. A. N. WORKS (Case #23): An advertiser learned that a competitor was broadcasting locally in a distant market in which he was interested. Since it was important to know the details of the competitor's activities in that market, and since the station could not be picked up locally, the advertiser turned to his advertising agency (a C. A. N. member) for information. Immediately, his agency's C. A. N. associate in the competitor's area, checked the broadcast and made a full report to the advertiser's agency. THAT is C. A. N. service.

### These Nationally Recognized Advertising Agencies Are Members

CHICAGO  
The Fensholt Company  
DALLAS  
Bruck-Sachs, Inc.  
KANSAS CITY  
R. J. Potts & Company  
LOS ANGELES  
Dan B. Miner Company  
MILWAUKEE  
Scott-Telander, Inc.  
NEW YORK CITY  
LaPorte & Austin, Inc.  
PHILADELPHIA (Headquarters)  
John Falkner Arndt & Co., Inc.  
PITTSBURGH  
Walker & Downing  
PROVIDENCE  
Larcher-Horton Company  
ROCHESTER  
Hughes, Wolff & Company, Inc.  
ST. LOUIS  
Anfenger Advertising Agency, Inc.  
SAN FRANCISCO  
Brewer-Weeks Company

## CONTINENTAL AGENCY Network

A Nationally Interconnected Group  
of ADVERTISING AGENCIES



the various heads of such groups, and present labor federations use in organization and administration.

In at least one way, the new setup follows the advice given by industrial relations advisers generally, that an "independent" stands a better chance of survival if it is linked to other groups—in other words, if it is not an independent.

Galloway declares that an "independent" must amalgamate or fold up, that the A.F.L. and C.I.O. are too big and tough for any single group to buck, and that the National Labor Relations Board is prejudiced against "independents" because it thinks of them as company unions. He adds: "I won't front for an employer who is violating the true spirit of the Wagner Act."

Companies which he thinks might have units willing to join the N.F.I.U. soon include Ford, Delco-Remy, Guide Lamp, Armco, Proctor & Gamble. In general, he isn't interested in organizing, at least not at the present, and has no machinery for such work. Where "independent" groups are established already, with regular officers and systems of administration, the N.F.I.U. invitations are being received.

## "Safe Driving" Plan

38 Bureau insurance companies will go ahead with scheme despite agents' protests.

THE "safe driving reward plan" sponsored by the 38 companies which are members of the National Bureau of Casualty and Surety Underwriters is not to be modified in any major respect. Substitute or compromise proposals, offered by protesting insurance agents (BW—Jan 15 '38, p. 45), contained nothing which was "adoptable," the National Bureau declared.

As the matter now stands, the "safe driving reward plan" for rebating 15% of annual premiums to automobile drivers who have accidentless years will go into effect next month. Those drivers who have accidents are to carry the freight, for rates charged by these 38 companies will be advanced on the new type of policies by about 4.8%. The net saving to the safe driver, then, will be a little more than 10%. The increased premiums on this new type of policy, the National Bureau companies contend, was essential to prevent loss of revenue. "Rewards" will be paid about 30 days after the policy expires rather than be rebated as a reduction in premium upon renewal.

The agents, through the National Association of Insurance Agents and the National Association of Casualty and Surety Agents, announce that they will go along with the companies. Nevertheless they express disappointment that

some of their suggestions were not adopted. They feel that the higher premiums under the "safe driver reward plan" may drive some business to the "cut-raters" or to other companies such as the mutuals which already have "thrifty" plans in force.

In the matter of agents' commissions, over which there had also been some protest, it is explained that they are designed to produce the same amount of revenue although figured on a different basis. Previously the commissions have been based on net premiums; now they are to be figured on gross, because approximately 88 out of 100 drivers insured will get a rebate. While agents' commissions are lower, percentagewise, the National Bureau says that, with a small adjustment which has been granted, producers' revenues will not be reduced.

## Savings Insurance Bills

**Drive is under way in several states for Massachusetts savings bank plan.**

CAMPAIGNS in favor of savings bank life insurance (BW—May 1 '37, p. 31) are reviving as the state legislatures get under way. Modeled after the 30-year-old Massachusetts system, which puts the savings banks into industrial or "burial" life insurance, several states at present have legislation pending or in the air.

A "savings insurance" bill hangs over in the Connecticut legislature; Rhode Island has a plan in its formative stages; the bill which failed to get anywhere in Pennsylvania last year may be revived; the Savings Bank Life Insurance League in New York is pushing a bill which has been presented in both houses of the legislature; initial steps have been taken in Iowa toward forming a national association.

The New York league—while it hasn't enlisted support of some organizations whose aid it sought, and consequently hasn't completed its roster of officers and committees—has higher hopes of putting through legislation this year than at any previous time when such measures have come up. It is understood that the companies writing industrial life insurance have decided to be neutral; the savings banks have arrived at no decision, although there is a noticeable apathy; a couple of associations of life insurance agents are expected to oppose the measure which is now in committee.

Meanwhile, the bill has gained its greatest impetus from Gov. Lehman's implied sponsorship in his annual message. He urged consideration of the Massachusetts plan as providing "dependable life insurance and annuities at low cost."

# FRESH AIR for a FEW or the MILLIONS



Birdseye view of entrance and ventilating towers of new Lincoln Vehicular Tunnel, New York City. Thirty-six giant "Buffalo" Fans will supply 3,440,000 cu. ft. of fresh air per minute to the millions who will use the new tunnel.

1. New York City entrance to tunnel. 2. and 3. Ventilating towers.

You Can be Sure of it with

*"Buffalo"*

**F A N S**

• For over 50 years "Buffalo" Fans have been delivering quiet, efficient ventilation on all types of jobs—office buildings, fac-

tores, apartments, hotels, churches, schools, mines, department stores, theaters, etc.

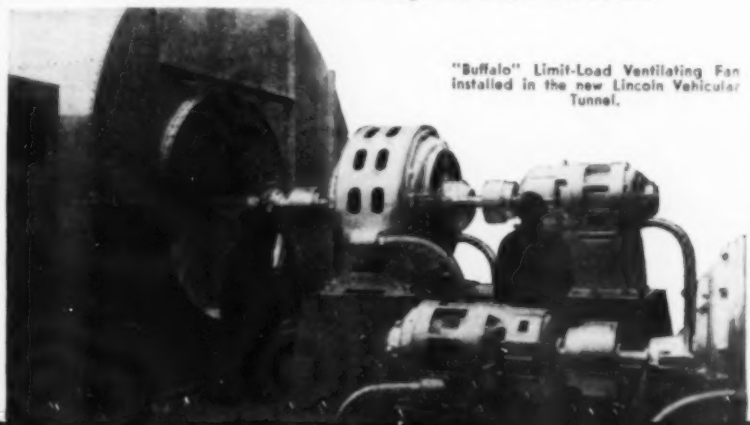
Whatever your plans, new building or modernization, you can be sure of good ventilation if you specify "Buffalo" Ventilating Fans. Literature gladly supplied on request.

**BUFFALO FORGE COMPANY**

458 Broadway, Buffalo, N. Y.

Branch Engineering Offices in Principal Cities

In Canada: Canadian Blower & Forge Co., Ltd., Kitchener, Ont.



"Buffalo" Limit-Load Ventilating Fan installed in the new Lincoln Vehicular Tunnel.

**FAN SPECIALISTS** for more than half a Century

## Economic Forecast for 1938

Seven Wall St. economists peer into their crystal balls and foresee what's ahead for business. Consensus is that there will be a 22.9% gain (from current levels) in industrial output by November; that stock prices will be some 30% higher, that earnings and dividends will be sharply lower, despite an expected advance in commodities.

Forecasting is no cinch. In January, 1937, seven Wall Street economists and statisticians got together at lunch, and discussed the outlook for the year. Varied were their views, and they decided—being competitive fellows—to put down on paper what they thought would happen, and thus to see who would come out best.

The results show that all were fairly accurate on the trend, but that all of them missed the pattern of the advance. None figured that the last three months would be disastrous. They came close on aggregates, such as steel production for the first 11 months, or automobile production for the same period. But all were way off on the Federal Reserve index of production for November, and on stock prices.

The lunch group met again this year. Three of the 1937 forecasters had dropped out, but recruits took their

places. And *Business Week* herewith presents their expectations for 1938. Again there are wide variations. For instance, on the Reserve index of production for November, 1938, the range is from 95 to 112, and the consensus is 102. (The preliminary figure for December, 1937, is 83.)

Best results last year were obtained by C, who is a member of an investment counsel firm. He is also a member of this year's "Forecasting Seven." Other repeaters are D, E, and G. The advantage in looking a full year ahead (as long as one recognizes the hazards) is that it particularizes one's forecast. It eliminates such namby-pamby prophecies as "business will be better," without any quantitative indication of how much better. In the following tabulation a space is left for the reader to fill in his own expectations:

	Actual 1936	Predictions for 1937							Actual 1937	Predictions for 1938							What are yours?
		A	B	C	D	E	F	G		C	D	E	G	H	I	J	
		Trust Co.	Investment Banking	Investment Banking	Investment Banking	Advisory Service	Brokerage Firm	Commercial Banking	Consensus	Investment Counsel	Investment Banking	Advisory Service	Commercial Banking	Editor	Public Utility Economist	Brokerage Firm	Consensus
<b>Production</b>																	
Federal Reserve index (ad- justed) for November.....	114	125	115	120	125	133	129	121	124	89	98	105	108	95	112	96	102
Autos & Trucks (in millions)																	
1st 11 months.....	3.90	4.35	4.35	3.96	3.96	4.35	4.55	4.35	4.27	4.48	3.00	3.30	3.50	3.60	2.90	3.10	3.24
Steel ingots (in millions of tons) 1st 11 months.....	42.4	48.7	53.0	48.7	46.6	50.9	48.7	47.5	49.2	48.0	37.5	36.0	45.0	43.0	41.0	39.0	40.2
<b>Prices</b>																	
Commodities for November (1).....	82.4	89	60	90	95	100	86	100	88.6	83.3	85	86	92	82	93	83	95
30 industrial stocks (2) Dec.	170.9	235	225	170	250	Big Gain	250	200	222	120.9	145	150	190	140	180	150	195
19 bank stocks (3) Dec.....	72.0	86.4	64.8	79.2	75.6	72.0	79.2	93.6	78.7	48.5	55	60	63	49	58	59	56
U. S. Steel common Dec.....	78	120	125	90	100	130	100	110	111	54	65	70	110	59	98	88	100
General Motors common Dec.	63.5	70	55	55	50	50	65	75	60	30	38	40	50	35	49	45	50
<b>Earnings, Dividends</b>																	
Industrial profits, 1st 9 months—% change (4).....		+25	+15	+20	+25	+25	+20	+40	+24	+29.4	—60	—55	—30	—29	—32	—44	—40
Dividends (in billions) 1st 11 months (5).....	3.65	4.56	4.20	4.38	4.74	4.74	4.56	5.11	4.61	4.10	2.56	2.87	3.07	3.11	2.73	2.25	2.46
<b>Finance</b>																	
U. S. bond yields (%) for November (6).....	2.25	2.05	2.15	2.50	2.15	2.35	2.50	3.00	2.39	2.58	2.90	2.70	2.80	2.95	2.75	2.60	2.77
Commercial paper rate, less known names (%) Dec.....	1	1.50	1.50	2	1.50	1.50	2.50	3	1.9	1.25	1.50	1.75	1.50	1.25	1.50	1.25	1.2
U. S. Treasury net deficit (in millions) Jul. 1 to Dec. 31, 1937	311,345	300	500	None	600	800	None	400	371	607	1,250	1,100	900	600	1,050	1,000	996

(1) U. S. Bureau of Labor Statistics index of 784 commodities. (2) Dow-Jones index. (3) Standard Statistics index. (4) As indicated by National City Bank's compilation. (5) New York Times. (6) Federal Reserve Board.



## May Rush FTC Bill

Passed by both houses, this measure will soon be discussed by conferees.

WITH Burton K. Wheeler, chairman of the Senate Interstate Commerce Committee, away from Washington for two weeks or so, the Lea-Wheeler bill to expand the powers of the Federal Trade Commission hangs in mid-air. On the senator's return, the bill which the Senate passed last year and which the House amended in notable particulars last week should move rapidly to conference—and ultimate enactment.

Senate and House versions of the bill are identical in the provisions extending the FTC's power to cover all unfair or deceptive acts or practices, rather than just those in which unfair competition can be proved. Both versions also place a 60-day limitation on the right of any defendant to appeal an FTC cease-and-desist order to the Circuit Court of Appeals.

### How Versions of Bill Differ

They differ in that the House version would reserve the regulation of all food, drug, and cosmetic advertising exclusively to the FTC.

For four years Sen. Royal S. Copeland has fought to obtain just such authority for the Food & Drug Administration. After having twice passed the Senate, his food and drug bill has been rebuffed in the House—once by a floor vote in 1936, and currently by the House Foreign and Interstate Commerce Committee. The Copeland bill has been bottled up there for a year while the more lenient FTC substitute has been engineered through the House by Chairman Clarence Lea, backed largely by the proprietary drug manufacturers and the publishers of small newspapers and religious publications.

Virtually all other trade interests which would be affected by the bill expressed their approval of the Copeland measure and its advertising provisions long ago.

### Sen. Copeland Objects

Last week, when Sen. Wheeler asked for Senate approval of the House amendments, Sen. Copeland added his objections to the more effective protests of Southern senators who feared their filibuster against the anti-lynching bill might be broken. But once the amended FTC bill goes to conference and comes back, it is doubtful that the Copeland protests will be sufficient to stop it; for the vigorous opposition of half a dozen Representatives was not equal to that job in the House.

As a matter of fact, the opposition wasn't even sufficient to secure an amendment which would have made

## The Quickest Way to Increase TRUCK PROFITS is to REDUCE TIRE EXPENSE



Every one of your trucks must be regarded as a profit producer. The profit consists of whatever part of your dollar is left after all expenses are paid.



Labor, the biggest item, is fixed. Nothing much can be done about it.



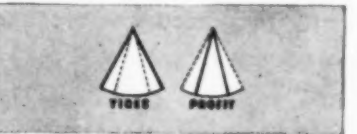
Gasoline and oil take a big slice of your dollar and the possibility of reduction is small.



Depreciation and mechanical maintenance take another big slice of your dollar that offers small opportunity for improvement.



Tires take their slice and the balance, if any, is profit.



Of all the items that enter into expense, the tire item is the most flexible. It is the only one that can easily and quickly be reduced and as it is reduced the profit slice of your dollar is increased.



How can you decrease tire costs? Use the best tires you can buy and take good care of them.

● And what is "best"? To General it means *physical carcass strength* to meet the battering of the road and to carry heavy loads. *Elasticity—flexibility—smooth action*—to offset heat that weakens and ultimately blows out your tires and increases tire expense at the sacrifice of profit. *Resistance* to wear that scrapes off the tread of your tires and needlessly steals part of your profit.



General Truck Tires have always been built stronger—to do their work better—deliver greater mileage and haul more payload.

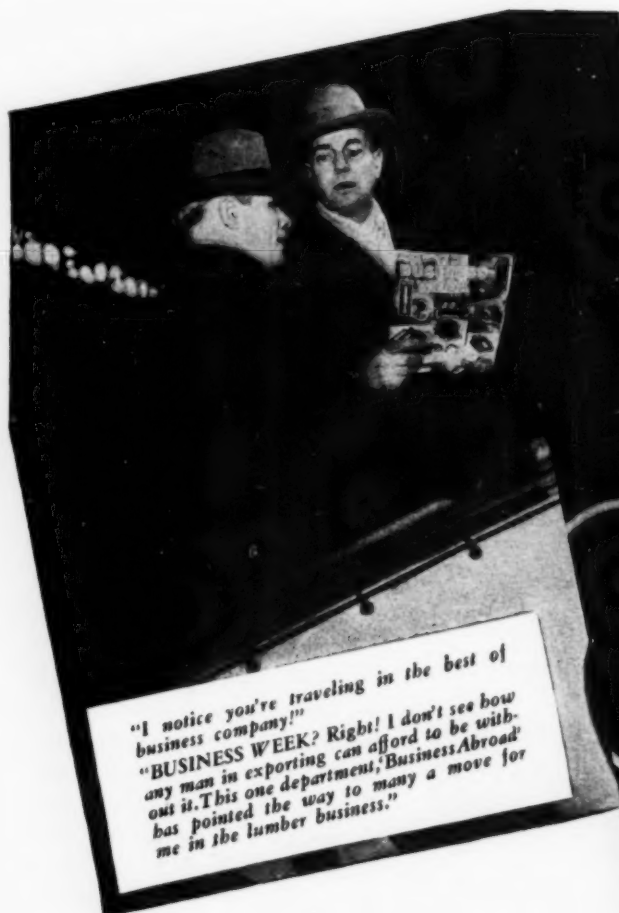
It costs more to build a General, but thousands of truck operators know it costs less to use Generals. See your General Tire dealer. He may be able to reduce your tire costs materially.

• • •

**THE GENERAL TIRE AND RUBBER CO. • AKRON, O.**

*In Canada—The General Tire and Rubber Co. of Canada, Limited, Toronto, Ontario.*

# GENERAL TRUCK TIRES



THE gist of these imaginary conversations is true . . . quoted in condensed form from letters in our files. They represent a national sense of reliance on this widely-read and much-quoted feature of Business Week. Trained foreign observers report every week, by cable, wireless and trans-oceanic telephone, on-the-spot reports of conditions in leading European countries and in Latin America.

"Business Abroad" helps explain the responsible position which Business Week holds in the lives of nearly 100,000 execu-



tive leaders, who subscribe for it in advance and then pass it along to their associates. (This results in a weekly audience of over 370,000 for advertisers.) To these advertisers, Business Week delivers more executive readers at lower cost per reader than any other magazine.

# BUSINESS

**ALERT . . . ACCURATE . . . AUTHORITATIVE . . . McGraw-Hill**

Business Abroad a feature of  
BUSINESS WEEK reports the  
present overseas, interprets  
the probable course of events  
and .....

# helps Business Men to Plan Ahead!



"I'm not surprised. Of course, I receive daily commodity reports, but I have yet to find anything that supplements them so well as the concise, accurate reports which I get in Business Week."

THE EXECUTIVE'S  
BUSINESS PAPER



"That's a fact—I depend on them myself. It amazes me how much their foreign representatives can condense into a few paragraphs."  
"I check their reports sometimes, and they certainly hit the nail on the head. Why, that one department in Business Week is the next best thing to having a personal representative overseas."

# WEEK

Publications—330 West Forty Second Street, New York City



violation of the advertising provisions a civil offense subject to a maximum \$3,000 fine on suit of the Department of Justice. That proposal was voted down, and nothing more serious than an FTC cease-and-desist order threatens

as a penalty for false advertising—unless injury to health or deliberate intent to defraud is involved, and in such cases a maximum fine of \$5,000 or six months' imprisonment may be imposed by the courts.

advertising still accounting for the bulk of radio revenue—\$17,811,555 and \$18,407,888 respectively in 1937, according to Publishers' Information Bureau figures. And automotive advertising is still on the rise, taking a jump from \$5,867,105 in 1936 to \$7,250,290 in 1937, with automobile advertisers showing increasing interest in radio, and a corresponding desertion of newspapers.

Though figures on spot broadcasting for the year are not available, the past year is recognized as a record-breaker for the medium as the chains' time schedules begin to crowd up, and as advertisers seek to apply promotion efforts in the markets where they are most needed. Live-talent spot showed a healthier increase in 1937 than did transcription. Not that transcription is slipping, but it made such a remarkable jump in 1936—almost by half—that it couldn't be expected to keep it up.

There was the usual shifting around

## National Advertising Up in '37

**All media except newspapers showed big gains, but these tapered off as the year drew to a close. Broadcasting chains made better gains than magazines.**

NATIONAL advertising in 1937 managed to show big gains in all media except newspapers. But 1937 was stormy going. With labor disturbances, rising prices, rising costs, and rising media rates all doing their share to nick into advertising budgets, the rate of gain over 1936 was almost steadily diminished throughout the year, in direct contrast to the steady rise of 1936 over 1935. And though, at the end of the year, increases over 1936 were in evidence, they weren't the whopping totals that were predicted last January; and advertising budgets, which were scheduled to go up some 15%, had, by the year's end, gone up perhaps 5%.

The chief reason was the specter of recession. And newspapers, which have never been as robust as they were in pre-radio days, were first to be hit—and hardest, as well. According to the Media Records figures on newspaper advertising, January-September totals showed a 5.3% gain. November showed a 9.3% loss. And December turned in a 6.5% loss.

### How National Networks Fared

Radio chain income followed a somewhat similar pattern. Thus, for example, the National Broadcasting Co.'s revenues, which were a comfortable 18.8% above 1936 levels for the first nine months, dropped off to a 9.7% loss in October and a 2.5% loss in November, but staged a slight comeback with a 2.3% gain in December. The gains of the Columbia Broadcasting System were likewise retarded in the last quarter, but only one month, October, showed a loss. The chains ascribe part of the blame for their fourth-quarter showing to the fact that 1936 fall figures were swollen with political funds for the purchase of time during the Presidential campaign. Mutual Broadcasting Co. figures, which began to dip as early as June, but which recovered at the year-end, reflect the growing pains which the "third chain" had in its third year of existence.

Magazine totals, furnished by Publishers' Information Bureau, tell the same story of recession, with revenue gains which averaged 17.4% in the first nine months dropping off to 14.7% in

October, 8.2% in November, and 6.2% in December.

Greatest advertising gains last year were again shown by the broadcasting chains. Their revenue increased 19.17% over the previous year, as compared with the 1936 increase of 16.21%. Except for the 1933 setback, radio advertising revenue has been on the rise ever since 1928, with food and drug

### National Advertising Media What They Did in the Complete Year 1937 \*

		Magazines <sup>1</sup>					
		Pages		Per cent Change in Average Rates		Dollar Volume	
Number	Type	1936	1937			1936	1937
33	Women's	17,145	17,170	+15		\$50,587,818	\$53,817,108
32	General	9,849	10,556	+7.18		14,333,109	16,369,104
20	Special	8,869	10,612	+19.65		12,774,113	17,206,788
14	Weekly	15,258	17,599	+1.45		66,394,632	77,689,398
5	Farm	2,069	2,272	+0.27		7,013,154	7,721,876
Total						\$151,102,826	\$172,804,274
						+14.36	

		Lines					
		1936	1937				
Classification							
General	251,510,095	247,155,491				-1.7	
Automotive	72,822,382	67,801,789				-6.9	
Total	324,332,477	314,957,280				-2.89	

		Dollar Volume					
		1936	1937				
National Networks							
Columbia Broadcasting System		\$23,168,148	\$28,722,118			+24	
Mutual Broadcasting System		1,884,936	1,862,820			-1.17	
National Broadcasting Company		34,523,950	38,651,286			+12	
Total		\$59,577,034	\$69,236,224			+16.21	

\* No comparable audited figures are available for outdoor display and industrial and business papers, two other major national advertising media. Outdoor Advertising, Inc. estimates that national advertisers' billings for outdoor display space came to approximately \$39,300,000 for 1937, which compares with \$33,600,000 for 1936—a gain of 16.96%. Industrial Marketing, in its annual survey of 100 publications in the trade, class and industrial fields shows the total number of advertising pages in these publications jumping from 93,434 in 1936 to 109,494 in 1937, a gain of 17.19%.

<sup>1</sup> Space and dollar volume figures were supplied by Publishers' Information Bureau. Percentage changes in rates and revenues were computed from these data. The P.I.B. dollar volume figures are based on the one-page, one-time rate. Though space and time discounts would reduce revenue totals from 10–20%, color and position costs would partially offset this reduction.

<sup>2</sup> These figures were supplied by Media Records, and include only that advertising generally considered as national linage. The addition of retail and financial advertising raises the total display linage in the 52 cities to 1,126,250,103 lines, a 1.9% gain over 1936.

<sup>3</sup> These figures, supplied by the three networks, include only costs for facilities. If talent costs were added national advertisers' expenditures for network advertising would go up some \$40,000,000 more. Because of discount adjustments and shifts in hookups, figures cannot be cited to show rate fluctuation. Sales of non-network time to national advertisers for spot broadcasting, which jumped from \$17,000,000 in 1935 to \$23,000,000 in 1936, were estimated to have increased some 45% in 1937.

of the top-spenders among national advertisers in radio:

	1937	1936
Procter & Gamble...	\$4,127,418	\$3,303,673
General Foods.....	2,764,944	1,501,945
Standard Brands....	2,508,139	2,273,783
American Tobacco Co. ....	2,339,849	1,508,704
Sterling Products..	2,331,014	1,769,974
Lever Bros.....	2,182,123	1,242,222
Colgate - Palmolive - Peet .....	1,880,870	1,576,197
American Home Products .....	1,842,736	1,398,276
General Motors....	1,818,291	1,223,108
Liggett & Myers...	1,806,541	1,095,810
Ford .....	1,768,285	2,082,664
General Mills....	1,541,697	1,346,876

General Foods, in seventh place in 1936, moved into second last year, with more and bigger radio shows on its list. Ford, in third place in 1936, moved down to 11th. Lever Bros., out of the running in the list of 1936's dozen biggest radio advertisers, came up into sixth place in 1937, while Campbell's Soup and Miles Laboratories (Alka-Seltzer) gave way to the entrance of General Motors and Liggett & Myers on the list for 1937. And Procter & Gamble still kept well out in the lead.

#### Magazine Advertising Expands

Magazine advertising, which increased 18.85% in 1936 over 1935, turned in a 14.36% increase for 1937, the special group of magazines again making the best showings—*Stage* gaining 106% in revenue, *American Home* 70%, *Esquire* 44%, *House Beautiful* 42%. Women's magazines, which went in for extensive promotion last year, remain fairly constant, with slight increases shown—less than any other group—and with the most impressive gains in revenue being won by *Pictorial Review*, *True Story*, and *Vogue*. Of the big four in this classification, *Good Housekeeping*, the leader, and *Woman's Home Companion* advanced 3% and 8% respectively, while *Ladies' Home Journal* and *McCall's* dropped 4% and 6%. Star performer in the general magazine group was *Scribner's*, whose new format and new distribution policies netted it a 152% gain. All the volume leaders advanced sharply: *Cosmopolitan* 11%, *American* 12%, *National Geographic* 29%, and *Pedbook* 39%.

#### Life Contributes to Gain

The increase shown by weekly magazines is mainly due to *Life*, which had only a few issues in 1936, but which accounted for almost 10% of the total revenue of all weeklies in 1937. *This Week*, with a 51% advance, and *Business Week* with a 42% gain, turned in the best showings for the year. The *Saturday Evening Post*, biggest magazine of all, advanced 1% to a total of \$26,602,157. *Collier's* gained 13% and *Liberty* 12%, while *Time* boasted a 21% advance.

Still well out in the lead among the

biggest magazine advertisers was General Motors, with Chrysler and R. J. Reynolds trailing, as they were in 1936. Bristol-Myers and Procter & Gamble, fifth and fourth respectively in 1936, changed places in '37. Standard Brands dropped from sixth place in 1936 to 11th in 1937, and General Foods dropped from seventh right out of the running—both companies tightening up the pursestrings on their magazine appropriations, and expanding on their radio expenditures. And General Electric and Lever Bros., both placing on the '36 list, dropped out to make way for American Tobacco Co. and Liggett & Myers.

Actual lineup among the biggest magazine advertisers was as follows:

	1937	1936
General Motors....	\$7,017,966	\$7,231,260
Chrysler .....	3,396,927	3,356,416
R. J. Reynolds....	3,003,533	3,202,313
Bristol-Myers ....	2,708,448	2,389,587
Procter & Gamble..	2,312,593	2,440,167
Liggett & Myers....	2,230,120	934,981
Lambert Co.....	2,130,016	1,786,695
Colgate .....	2,009,690	1,393,380
American Tobacco..	1,909,644	1,469,994
Campbell Soup....	1,813,543	1,539,209
Standard Brands...	1,759,120	2,200,038
Ford .....	1,580,682	1,749,701

Newspapers, admittedly, had a pretty tough year, though it wasn't as bad as the figures show on the table, for the Media Records' figures give only physical volume, and do not take into account the rate increases which, in terms of revenue, comparable to figures cited for magazines and radio, would more than offset the apparent loss.

#### Heads A.F.A. Board



MASON BRITTON, vice chairman of the McGraw-Hill Publishing Co., last week was elected chairman of the board of the Advertising Federation of America, succeeding E. H. McReynolds, of St. Louis, whose death occurred last month. The election took place at the January board meeting at the Hotel Pennsylvania, New York. Mr. Britton has long been active in organized advertising. He is a director of the Audit Bureau of Circulations, a member of the executive committee of the Associated Business Papers, and is vice president of the National Publishers Association.

### MARKETING ANGLES

The log-jam of used cars threatens the whole automobile business today, but Hudson regards it as a particular threat to the success of its new low-priced model—the Hudson-112, which will be due off the assembly lines next month. So Hudson is trying to do something about the whole used car situation. Specifically, it's trying to enlist newspapers in a big campaign, featuring full-page advertisements and strong selling copy on all used models. Specimen: "Every Used-Car Lot is a Bargain Counter Today." Hudson points out that the papers could pick up much specific tie-in dealer copy, and the papers think they might pick up some insertion orders when the Hudson-112 campaign breaks.

It's Food Week in Chicago, featuring dozens of conventions and group conferences. Headliners, of course, are those hardy perennials, the National Canners Association, the National Food Brokers Association, and the National-American Wholesaler Grocers Association. There will be a joint powwow Monday night (Jan. 25) on labeling, and another Tuesday morning on public relations—the first such joint activities on record. And at all the meetings, there's a pretty intense concern about the future of the Robinson-Patman law, in view of the prospects for overhauling the anti-trust laws. Biggest ex-

pected event: the FTC's decision finding the Great Atlantic & Pacific Tea Co. guilty of brokerage diversion.

The Federal Trade Commission has issued a complaint against H. C. Brill Co., Inc. of Newark, charging violation of the Robinson-Patman Act. Brill is charged with entering into agreements with A & P and the Kroger Grocery and Baking Co. in the sale of E-Zee Freez, a preparation for making home ice cream, whereby A & P received a rebate of \$410.12 on purchases totalling \$18,670.57, and Kroger received a small rebate on purchases in excess of \$5,000.

Bromo-Quinine, sponsor of the General Hugh Johnson radio program, is granting time on the program to speakers who want to talk back to the General—provided they're important enough. First to retort, last week, was Ferdinand Lundberg, who took over the program to defend his book, "America's Sixty Families," which the General had damned.

Charles Coolidge Parlin, who founded the Commercial Research Division of Curtis Publishing Co. 26 years ago and thereby pioneered the whole present-day market research development retires this week. Donald M. Hobart replaces him.

**Aetna Life Leads in number of  
group policies in force!**



**All Forms of  
Group Insurance  
Life • Accident  
Sickness • Pension**

*Through our trained Group  
Representatives we are equip-  
ped to analyze your employee's  
social problems and recommend  
the proper plan for your or-  
ganization.*

**AETNA LIFE INSURANCE COMPANY**  
Founded in 1850    Hartford, Connecticut  
**COAST-TO-COAST CLAIM SERVICE**

## Lawyers Lick Insurance Firms

**Missouri court enjoins companies from "practicing law" by performing many acts in the course of their business. One judge dissents vigorously.**

SIX mutual insurance companies took it on the chin in the Circuit Court at Columbia, Mo., last week. The companies' declaratory judgment suit in equity (*BW—Sept 4 '37, p. 27*), in which they had asked the court to define the practice of law, was dismissed, and an injunction restraining them and their non-lawyer employees from performing six kinds of legal acts was issued by the court on the counter-claim and crossbill of the Missouri Bar Committees and Boyle G. Clark, its general chairman.

So ended the first big battle in the war being waged by Missouri lawyers to prevent business men from performing acts which they contend constitute "the unauthorized practice of law." The companies' chief counsel, William S. Hogsett, of the Kansas City law firm of Hogsett, Murray, Trippe & Depping, is appealing directly to the Missouri Supreme Court, and meanwhile the Circuit Court at Columbia has stayed its injunction.

The Supreme Court cannot hear the appeal until the May term, which runs through June. It may not decide till next fall.

### Advisory Judges Called In

Before the case was tried, Judge W. M. Dinwiddie of the Boone County Circuit Court called in two judges—James Wesley McAfee of St. Louis and E. M. Dearing of Potosi—to sit with him and render advisory opinions. In October Judge McAfee resigned from the bench to enter private practice. But by agreement of the two parties, and for the purpose of avoiding a retrial, McAfee was permitted to continue to act as an advisory judge. When the case was decided, he handed down an opinion virtually on all fours with that of Judge Dinwiddie. At the same time Judge Dearing vigorously dissented.

Acts which the court found constitute the practice of law, and which it restrained the companies and their non-lawyer employees from performing, are:

1. Adjustment and settlement of claims against the companies' insured, and negotiation with claimants.
2. Selection and preparation of releases, covenants not to sue, and contracts or agreements for the settlement or compromise of claims against the companies' insured, and other like documents affecting secular rights.
3. Advising the companies, or their insured, of their legal rights.
4. Appearances before the Workmen's Compensation Commission of Missouri.

5. Determination of whether the companies' particular insurance contract covers a particular casualty of the insured.

6. Determination of legal liability and the extent and nature thereof, for the company, for the insured, or for both.

Four common types of insurance company activity, held not to constitute the practice of law, are:

1. Detection; the discovering of witnesses and evidence; taking photographs; statements of witnesses, and acts of a like nature.
2. Appraisal of damage to physical property where liability is not disputed.
3. Procuring execution of prepared instruments, where the lay employee exercises no discretion in selection or preparation; and payment by delivery of check, draft, or payment of money in discharge of claim.
4. Determination of or recommendation of amount to be set up as a reserve on various claims.

### Dissenting Opinion

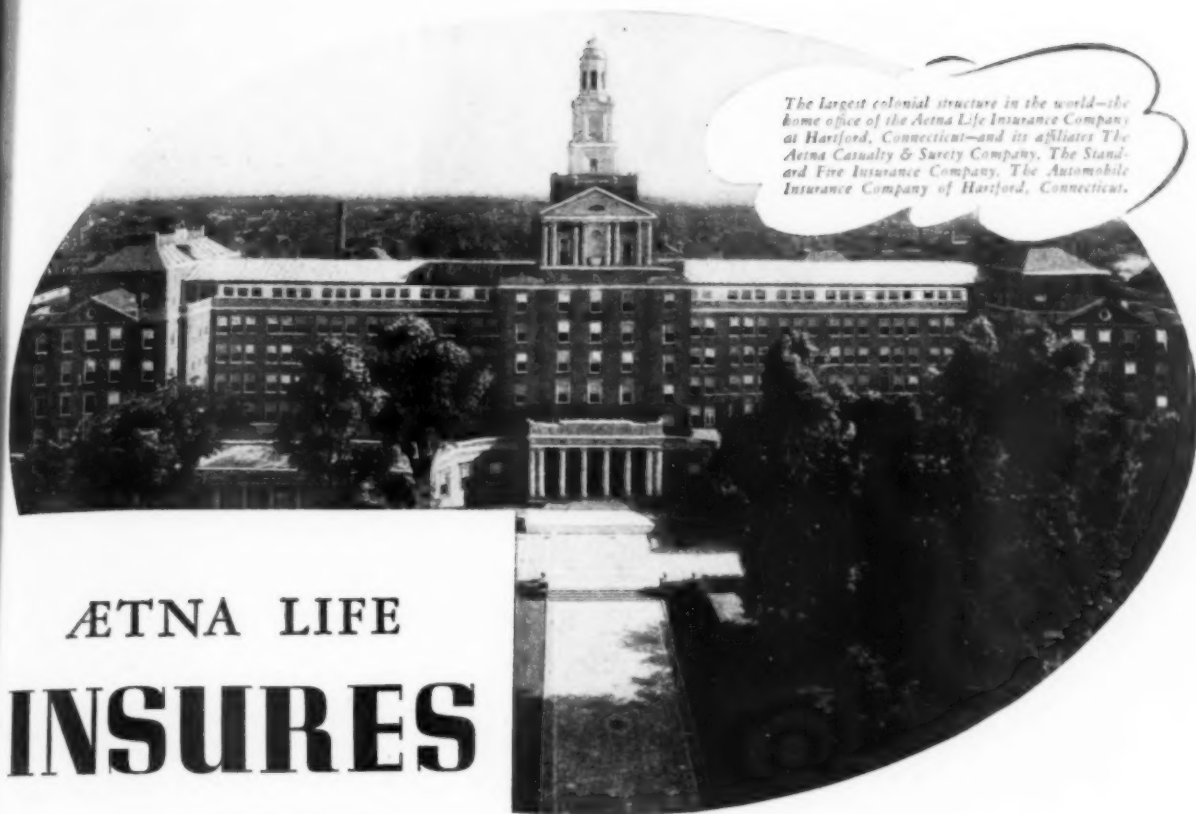
Judge Dearing's dissenting opinion was a withering blast. He said: "It is not consistent either with the dignity or the rights of the legal profession to insist that the bar be given a monopoly of service of the character . . . described. Efforts to force the services of lawyers upon the public, to the obvious detriment of the people at large, can only result in an outcry against the bar which cannot be otherwise than harmful to the bar and to the administration of justice. . . .

"A fair degree of familiarity with the ordinary rules of law, the statutes and the regulations governing his particular business, is a natural and necessary part of the equipment of every citizen. . . . He may properly engage in discussions regarding the law, and express his opinion on the subject, as a matter of common right. The preparation and execution of contracts and other documents, customarily used to give effect to transactions incident to one's business, is equally the right of every citizen. The same rights accorded to citizens in general cannot be denied to insurance companies, or their employees engaged in the transaction of the necessary and incidental business of such companies. . . .

### Licensing Suggested

"Occasional injustices which may occur in the settlement of cases can readily be controlled by the adoption of an act by the legislature, requiring all persons engaged in the settlement of such claims to be licensed for such work, and providing for a revocation





The largest colonial structure in the world—the home office of the Aetna Life Insurance Company at Hartford, Connecticut—and its affiliates The Aetna Casualty & Surety Company, The Standard Fire Insurance Company, The Automobile Insurance Company of Hartford, Connecticut.

# ÆTNA LIFE INSURES

.....against Error  
and Waste with

## UNDERWOOD ELLIOTT FISHER ACCOUNTING MACHINES

Throughout the world men of business acknowledge the efficiency of the great insurance organizations...take off their hats to the immense volume of detail work such companies handle with phenomenal speed, breath-taking accuracy and startling economies.

No wonder then that it is a matter of pride that such an outstanding organization as the Aetna affiliates use great batteries of Underwood Elliott Fisher Accounting Machines.

Underwood Elliott Fisher makes three complete lines of accounting machines with a wide variety of models in each. Accountants will tell you that Underwood Elliott Fisher not only has just the right machine for every problem but a nation-wide organization to help in applying these machines to every business.



Part of the battery of Underwood Elliott Fisher Machines used by Aetna Life in its Group Insurance Department. Aetna Life has developed a speedy and accurate method of typing, adding and computing group insurance statements on these machines. Three distinct types of Accounting Machines are used in handling the business of this department. Underwood Elliott Fisher supplies all of them.

No matter what your accounting problem may be just put it up to your own Accounting Department and Underwood Elliott Fisher. And remember when Underwood Elliott Fisher recommends a machine, you may be certain that it's capable of doing your accounting job. Every

Underwood Elliott Fisher Machine is backed by nation-wide, company-owned service facilities.

Accounting Machines Division  
UNDERWOOD ELLIOTT FISHER COMPANY  
Accounting Machines... Typewriters... Adding  
Machines... Carbon Paper, Ribbons  
and other Supplies  
One Park Avenue New York, N. Y.  
Sales and Service Everywhere  
Underwood Elliott Fisher Speeds the World's Business  
Copyright 1938, Underwood Elliott Fisher Company



# The Insurance Agent's Real Job *is not selling...it's buying*

**I**NSURANCE is as complex as modern business. For almost every risk there's an appropriate coverage.

That's why the agent's real job is not selling you but buying for you the exact coverage you need.

The agent is your insurance specialist—buys for you with an eye to true economy, full protection and future business. When a loss occurs he is your expert, special representative.

Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Let an experienced agent take a look at your business from an insurance viewpoint. Like a check-up by your family doctor, it can do no harm—may save your business life.

**NATIONAL SURETY CORPORATION**

VINCENT CULLEN, President

NEW YORK

of such license upon proof of misconduct."

Companies which brought the declaratory judgment suit after earlier difficulties with the bar committees are the Liberty Mutual Insurance Co., Boston; American Mutual Liability Co., Boston; Lumberman's Mutual Casualty Co., Chicago; Hardware Mutual Casualty Co., Stevens Point, Wis.; and the Employers' Mutual Indemnity Corp. and Employers' Mutual Liability Co., of Wausau, Wis., which were merged under the name of the latter since the suit was instituted.

Missouri has been the focal point of a lawyers' war on business men for alleged unauthorized practice of law which has resulted in lesser cases being brought in numerous other states. Business men this week wondered whether the Missouri decision might result in the fighting front being broadened. They feared trouble particularly in New York City, which has more well-fed and ill-fed lawyers than any city in the country.

## "Mahogany" Battle

**Effort to prevent use of that name for Philippine wood is renewed before FTC.**

IN June of last year the National Better Business Bureau asked a thousand people what they understood by the term "Philippine mahogany." Few of those questioned knew how Philippine mahogany differed from the regulation product imported from Central America and Africa.

The motive of the survey was revealed last month when its results were cited by the Mahogany Association, the American Walnut Association, and the Hardwood Manufacturers' Institute in their petition to the Federal Trade Commission to reopen the Gillespie Furniture Co. case. Joined by the Better Business Bureau and various furniture manufacturers and retailers, the associations contend that the trade term "Philippine mahogany" is deceptive, that the qualification "Philippine" is omitted in the vast majority of advertisements and sales efforts, and that "use of the term injures competitors who make and sell mahogany."

## Goes Back to 1926 Order

The fight goes back to 1926 when the FTC ordered the Indiana Quartered Oak Co. to cease selling as "mahogany" or "Philippine mahogany" any of the Philippine hardwoods—tangle, lauan, and almon—or any other woods of the Dipterocarp family. (The only mahogany which botanists consider McCoy is that which bears the family name Meliaceae; the tropical American variety is known as the genus Swietenia, and

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On an appeal from the order, the Circuit Court of Appeals upheld the commission, and the Supreme Court refused to review the case.

Then in 1931, the Federal Trade Commission charged the Gillespie Furniture Co. of Los Angeles with using trade practices which had been forbidden to the Indiana Quartered Oak Co. Presently the commission backed down and permitted Gillespie to stipulate that it would not advertise or sell the Philippine woods as mahogany unless it employed the modifying term "Philippine." Later, the original order against the Indiana Company was modified and the trade term "Philippine mahogany" came into wide currency.

### Big Imports of the Wood

So did the wood. In 1936, over 30,000,000 board feet of it were imported from the Islands by American manufacturers. In the same year, only 26,500,000 board feet of regulation mahogany was imported—one-fifth of it from Africa and a sizable proportion from Cuba.

The Philippine wood sells as much as 50% cheaper, for it comes in duty-free (and will continue to do so until the graduated tariffs imposed by the Philippines independence act take hold). And because it does come in duty-free, the cheaper Filipino labor is used to saw and plane most of the wood before it is shipped. Importers of regulation mahogany dodge the higher tariffs on finished or semi-finished lumber by importing 70% or 80% of their supplies in log form. But they must then contend with high American milling and planing costs.

The move to reopen the Gillespie case was inspired by the Supreme Court decision of a year ago in which it was held that Western yellow pine could not be labeled or sold as "California White Pine." The petitioners feel that in this case the High Court overruled practically every argument that could be offered by the Philippine mahogany interests.

### Mr. Burr's Statement

These interests are madder than hops, particularly about the gratuitous statement, issued in advance of any formal hearings, by Eugene W. Burr of the commission's counsel that the incident possesses "all the earmarks of a controversy which almost of necessity persists because it has not been correctly decided."

If a rehearing is ordered, the Philippine mahogany people expect to wash a lot of dirty linen in public on their own account, with specific reference to the attempts which they say mahogany manufacturers have made to disparage the fine qualities of the Philippine woods.



## Have One... But Which?

With the bands removed, it is practically impossible to distinguish between a two-bit cigar and a ten-center. But how the difference shows up in the "smoke test!"

To distinguish between two wire ropes is even more difficult; for not until their usefulness is ended can their actual cost be determined.

"Flex-Set" Preformed Yellow Strand has demonstrated over and over again that stamina and low final cost are unfailing characteristics. And with good reason:

61 years making nothing but wire rope contribute a vast experience that is of inestimable value. Specially drawn wire and infinite care in manufacture are important factors, too. Another is "preforming," a revolutionary process which shapes the wires and strands to a permanently helical form before they go into the rope.

The result of "preforming" is a rope of unusual flexibility, a rope that is limp and tractable — easy to handle — easy to install — easy to splice and socket. It operates smoothly, winds evenly on drums, is highly resistant to kinking and metal fatigue.

"Flex-Set" Preformed Yellow Strand is showing wonderful economy on road building machines, in general construction, logging, mining, rotary drilling, and in industrial plants.

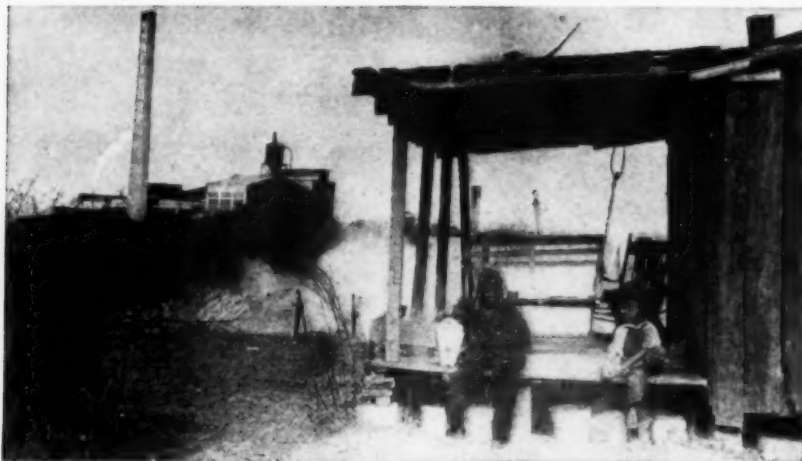
Specify "Flex-Set" Preformed Yellow Strand for low final cost.

**BRODERICK & BASCOM ROPE CO., St. Louis**

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.  
Manufacturers of all grades and constructions of wire rope, preformed and regular, for every purpose

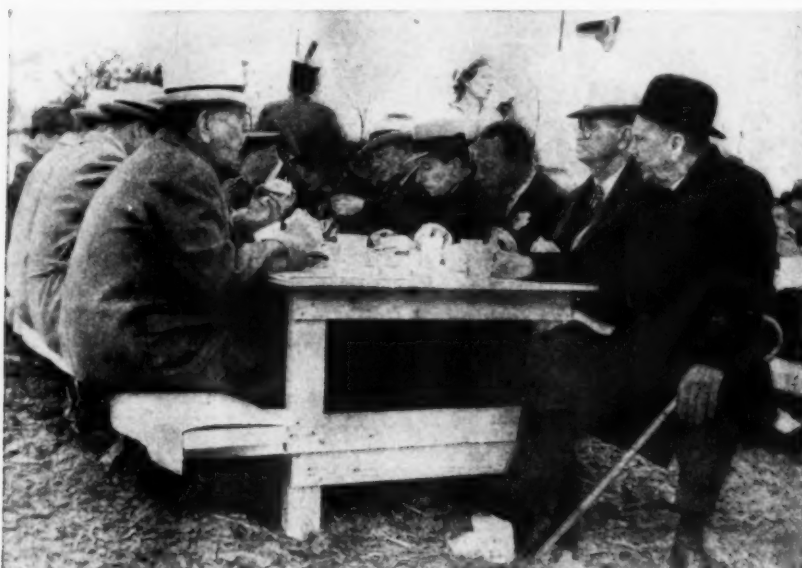
# "FLEX-SET" PREFORMED YELLOW STRAND





**INDUSTRY GOES SOUTH**—The shabby little darkies are oblivious to the social changes to be wrought by such new plants as the one in the background—the Fernandina, Fla., mill of Container Corp. of America.

Wallace W. Kirkland



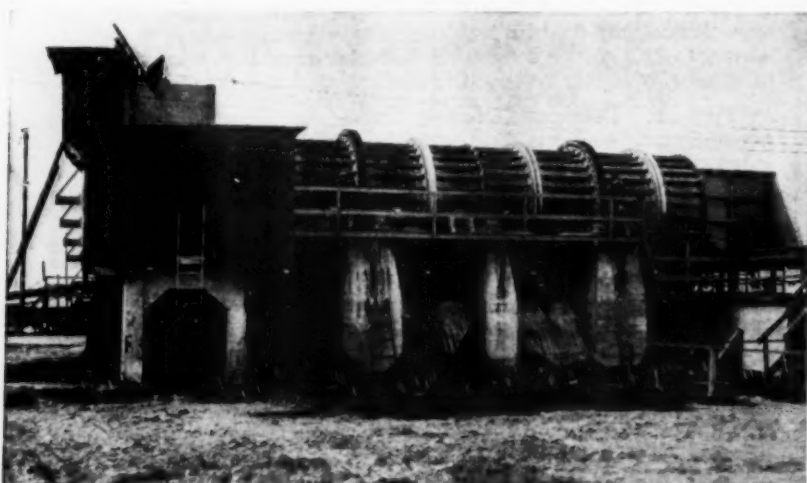
A fish dinner celebrated the dedication of the new Container Corp. plant. Left, at the end of the table, is Gov. Fred P. Cone of Florida. Opposite him is Sec. of Commerce Daniel P. Roper. And reading down the table are Mayor P. C. Kelly of Fernandina, Walter P. Paepcke, Sen. Claude Pepper, James G. Stahlman, Gov. E. D. Rivers of Georgia, and General Vivien B. Collins.



Dr. Charles Herty, whose researches have promoted the industrial use of southern pine, examines a four-year-old tree.



Handling slash pine logs for the new mill.



The plant's "de-barker" is the huge revolving drum shown above, in which the pine logs are rolled around together until their bark is rubbed off.



Pulp sheets, here being baled, are the finished product of the Fernandina plant.

## Florida Celebrates Pulp Boom

**New \$9,000,000 plant of Container Corp. is opened at Fernandina, and Dr. Herty is honored for developing industrial uses of Southern pine.**

THE crowd stood with bared heads while the band played *Dixie*. Thus on Friday of last week, at Fernandina, Fla., began a celebration in honor of an invasion of the South by Yankee dollars which will do much to atone for the armed invasion of the sixties.

The occasion was "Florida Industries Day". It paid special honor to Dr. Charles Holmes Herty, whose chemical researches at Savannah, Ga., have done so much to promote the industrial use of Southern pine. Ceremonies also included the formal opening of the new Fernandina plant of the Container Corp. of America. They were held at the mill. During all the political and industrial oratory (which went on the air over a national hook-up) the new plant proceeded with its job, which consists of chewing up and digesting yellow pine logs for pulp sheets from which paperboard containers are made. It made a contented purring sound which furnished a fitting undertone for the music and the declamations.

When all its planned units are installed, the plant will have cost \$9,000,000. Here is a symbol of the new and dramatic penetration of the Southern pine belt by Northern capital.

The long line of cars that drove from Jacksonville to Fernandina for the celebration was watched with wonder by shabby little darkies from ramshackle porches, and was regarded with indifference by passing crackers. But the significance of these new mills is greater for the low-income groups near the operations than for distant stockholders whose profits will be increased.

### It's Only a Beginning

Already, established plants have added vastly to the consuming power of pine-belt workers. But orators at the ceremonies, the fire of prophecy blazing in their eyes, pointed out that the present is only a beginning. Southern pine as a source of raw material for wrapping paper, paperboard containers, and such is the basis of the current development that has accelerated a boom-time tempo. Its use as a source of newsprint has been proven practicable in Dr. Herty's and other experiments. Plans are now under way to begin commercial newsprint production. Chemistry has further demonstrated that with the elimination of a few "bugs" this pine can furnish pulp for rayon and a wide variety of cellulose items. So inevitable appears the Southern drift of additional industries that fearful conservationists are beginning to fret over

the possible exploitation of the yellow pine domain, stretching from Texas to the Atlantic Ocean.

All the hopes, fears, and cautions were aired during Florida Industries Day. Forty-one-year-old Walter P. Paepcke, president of Container Corp., (described by one speaker as the "youngest and best looking pulp manufacturer in the United States") was chairman at various meetings. He stressed the fact that higher considerations than "cheap labor" dictated the erection of the Fernandina mill.

Ceremonies included the unveiling at the Container Corp. plant of a tablet in honor of Dr. Herty. In addressing the crowd the smiling little chemist expressed profound gratitude for the change that was coming over his part of the South. He pointed out that \$100,000,000 has been invested in the pine belt by the pulp and paper industry. Moreover, he asserted that the pine of the South has all the properties "that will make it valuable for book-paper, for bond paper, and for rayon, but above all, for newsprint." But Dr. Herty hoped that Southern capital would enter these developments, thereby taking a continuing part in raising the living standards of its own people.

Properly, discussion of the newsprint situation fell to James G. Stahlman, publisher of the *Nashville Banner* and president of the American Newspaper



This happened in the air-conditioning field. Koppers engineers learned that the use of air-conditioning systems in large buildings was endangered by new ordinances in many cities restricting the use of water in these systems, and the dumping of this water into city sewers.

Through a new type of Koppers roof, water may now be pumped to the roof, cooled and used again and again. The upper floors of the building are kept cooler. The water bill is cut.

KOPPERS COMPANY · PITTSBURGH

Boiler and Power Plants . . . Castings . . . Coal and Coke . . . Coal  
Cleaning Plants . . . Coke and Gas Plants . . . Cressets . . .  
Dehydration Plants . . . DTS Bronze . . . Fast's Couplings . . . Fire  
Hydrants . . . Industrial Chemicals . . . Municipal Incinerators . . .  
Piston Rings . . . Plate-Work, Tanks . . . Purification Systems . . .  
Recovery Plants . . . Sewage Disposal Equipment . . . Ships and Barges  
. . . Roofing . . . Tarmac Road Tars . . . Tar Products . . . Treated  
Timber . . . Water Gas Generators . . . Waterproofing . . . Valves

# KOPPERS



**NOT FOR SALE**  
EXCEPT TO THOSE WHO CAN USE IT PROFITABLY

**METAL EDGE**, the modern Method of Packaging, pays handsome dividends to firms in 77 different industries!... Saves space, reduces inventories, produces the strongest paper boxes with powerful sales and advertising value. As a first step in finding whether it will do the same for you, send for

**\*PLANNED PACKAGING**  
the booklet describing the M.E. Method as used by many nationally known companies as well as smaller firms.

Westinghouse Metal Edge Box

\*Write for your copy today

**METAL EDGE**

338 N. 12th St. Philadelphia, Pa.

**MALLORY Contacts****Control Traffic**

A green light flashes, motors race, gears mesh—and traffic moves on. The important job of operating traffic signals falls to those small, but highly important, unseen discs of metal—Mallory electrical contacts.

The precision performance of these Mallory "bits of metal with a giant's job" is directing the surging force of power on land, on sea and in the air.

For years Mallory has specialized in the design and manufacture of contacts for every class of electrical control service. Mallory metallurgists are daily solving development problems in many important industries.

Perhaps you have a problem to present to them?

**P. R. MALLORY & CO., Inc.**  
INDIANAPOLIS INDIANA  
Cable Address—Pelmallo

**P. R. MALLORY & CO. Inc.**  
**MALLORY**

PARTS FOR RADIO, ELECTRICAL,  
AUTOMOTIVE AND INDUSTRIAL FIELDS

Publishers Association. This hard-hitting newspaperman has long led the fight for newsprint from Southern pine. There was a vibration of triumph in his voice as he told his Fernandina listeners, "I am thankful to be able to say that Southern newsprint is not only a practicality but shortly will be a commercial reality."

Turning his attention to the over-all possibility of the pine belt, he foresaw industries with an annual turnover of not less than one billion dollars. He visioned the elimination of poverty through the scientific harvesting of this pine growth and a "citizenship enlightened through greater opportunities for education and travel."

The exercises were attended by many company executives and government officials. Among the important speakers were Secretary of Commerce Daniel C. Roper, Sen. Claude Pepper of Florida, and Gov. Fred P. Cone. The governor declared himself mighty well pleased with what the kraft mills were doing for "the flat woods" of his state and warned the visiting Yankees that "once you get Florida sand in yo' shoes" you are bound to come back.

**Reasons for the Move**

In conferences with the press, Container Corp.'s president, Mr. Paepcke, revealed the compelling reasons for putting so many millions in a Florida plant and just why Fernandina was chosen. Similar arguments are under intense study by other company leaders.

Container Corp. makes its paperboard (it doesn't make paper) from about 80% waste paper and 20% pulp. It has been buying pulp from Sweden and Finland. The waste paper market fluctuates. But the wily Scandinavians, having almost a monopoly, raise or lower their pulp prices to prevent any American paperboard maker from taking full advantage of reductions in costs of waste.

The Fernandina mill will free Container Corp. from the Swedes and Finns. It will make enough pulp for all the company's needs, with enough left over for sale to others. Fernandina will produce pulp at \$30 to \$35 a ton; the Scandinavians charge \$40 to \$45. Moreover, Fernandina will render Container Corp. immune from interruption of supplies by wars. (Every American pulp buyer feels a chill run up his spine when he thinks of what happened to pulp prices during the World War.)

No board is manufactured at Fernandina. Pulp sheets from this mill are shipped to other Container Corp. units for mixture with waste paper and ultimate fabrication into container items. Transportation costs therefore become highly important. The Fernandina plant is on tidewater. Logs can be brought in this way and no railroad is going

to get tough with rates when sale water combined with fresh water routes are available for the cheapest transportation possible.

The ancient and resigned little city of Fernandina has been revived by the Container Corp. mill. There are new streets, new docks, new dwellings and new looks on the faces of its people. The plant will employ 175 men; 200 others will be kept busy supplying it with pine logs. Most important of all, 5,000 families will acquire new income in cash by cutting and selling logs (at \$5 a cord) to the mill. Pulp capacity of the installation is 125 tons daily but provision has been made for a much higher output when demand justifies.

**Company's Labor Policy**

Mr. Paepcke stresses the fact that he is not running away from high labor costs. He points out that he is interested not in wage rates but in labor cost per ton of pulp. Thus higher-paid Northern workers might be cheaper than, say, the unhurried Southern negro, because their efficiency is so much greater. He pays common labor at Fernandina 47¢ an hour, so he has no fears of wage legislation. Moreover, his men get year-round work.

Florida is a past master of boosterism. Showmanship stood out in the celebrations last week, from the fish-shrimp-Coca-Cola luncheon served at the Fernandina plant to the highfalutin banquet given by the governor in Jacksonville. But it was all convincing. Visitors went away with a conviction that they were witnessing in this Southern pulp movement a major migration of industry—one that may equal or even overshadow the Southern heira of textiles.

**Metropolitan Oakland Gain**

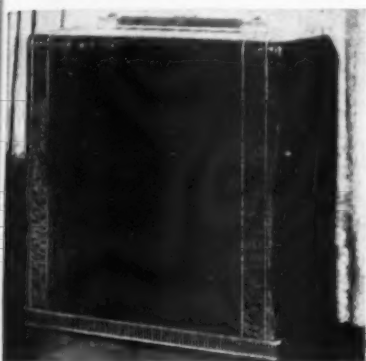
METROPOLITAN Oakland carried on a national promotion campaign last year to attract new industries. Recent surveys by the Oakland Chamber of Commerce show an increase of 65% in the number of factories added to the city's industrial community during 1937 as compared with 1936. Thirty-eight new companies located in the area. In 1936, the total was 23. The newcomers invested \$965,000 last year in plant and equipment compared with \$600,000 the year before, an increase of 60%. Both the number of employees and the amount of annual payroll showed increases. New industry payrolls in 1936 amounted to \$480,000, while in 1937 this figure increased 44% to \$695,000. Number of new employees rose 42%. In 1937 Metropolitan Oakland won the prize given annually by the Pacific Coast Association of Advertising Agencies for the best example of community advertising in the 11 Far Western States.



## New Products—New processes, new designs; new applications of old materials and ideas.

EMPLOYERS who like to watch the physical condition of employees carefully will like to know about "Posturcheck," an apparatus for precise checking of body balance. Manufactured by Institute of Postural Mechanics, 693 Sutter St., San Francisco, it works on the theory that postural defects are recognized through variations of weight distribution received by various parts of the feet. The Posturcheck registers degrees of variation automatically so that a patient's shoes may be altered by inside padding and thus bring him closer to par orthopedically.

FIRST production examples of the new portable "Yorkaire Conditioner" are just beginning to come off new production lines of York Ice Machinery Corp.,



York

York, Pa. As styled by Walter Dorwin Teague, industrial designer, 210 Madison Ave., New York, a walnut-finished steel cabinet houses the super-silent business parts. A window-adaptor, adjustable to window size and height, contains fresh-air inlet, condenser-air intake, and condenser-air exhaust. Fingertip controls vary performance to accord with the seasons as well as with the personal indoor weather preferences of the owner.

It is going to be easier than ever for business executives to keep their correspondence and office memoranda up to the minute while traveling. Dictaphone Corp., 420 Lexington Ave., New York, has redesigned its lightweight portable dictating machine so that it may be plugged both into ordinary 110-v. circuits and into 6-v. circuits on automobiles, airplanes, and trailers.

THE production of the secretaries and typists who transcribe the machine dictation of up-to-the-minute business executives will be considerably facilitated and increased when they are provided with the new "Skyscraper Transcriber's

Desks" of Shaw-Walker Co., Muskegon, Mich. Platforms for transcribing machines, compartments for dictated records, and compartments for stationery and other requirements, are all integral parts of the desks. All wiring is concealed.

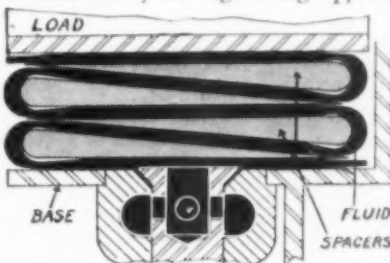
MANY a shipper has sidestepped the use of tensional steel strapping on his shipments because he was afraid the consignee would not possess suitable tools for unstrapping. Signode Steel Strapping Co., 2622 N. Western Ave., Chicago, now offers the Signode "Nip," a cutting tool so inexpensive that one may be attached to each shipment, like a key to a sardine can.

WITH a background of over a year's experience in the custom building of shoes for men who desire to add from  $\frac{1}{4}$  to 3 in. to their height, Joseph Burger, 2067 Third Ave., New York, is now prepared to handle orders for his "Staturaid" shoes by mail. A patented cork build-up invented by him makes possible oxfords with normal appearance which add as much as 2 in. to the wearer's apparent height.

THOUGH they look somewhat like orthodox oil cans, the "Acco-Morrow Pres-

sure Lubricators," recently developed by American Chain & Cable Co., York, Pa., have spouts tipped with a special oil-resisting compressible composition which ensures tight contacts with oil holes and fittings in general use. The "Oilingseal" tip makes possible the utilization of 1,000 lb. pressure generated by the lubricator to flush bearings of all dirt and grit and to flood them with clean oil.

USED up to this time mainly in Linderman automotive brakes, the multi-stage diaphragm units of Linderman Devices, Inc., 149 Broadway, New York, are now being made available for a wide variety of engineering applica-



Linderman

tions. In principle, the devices consist of a number of superimposed individual diaphragms, interconnected in such a manner that all expand when either air or liquid pressure is applied. Units may be engineered to lift pounds or tons, with total expansions ranging all the way from 0.002 in. to 6 in. Moreover, pulsations may be specified up to 100 per min.



Diebold

RUSH HOUR RELIEF—There's no waiting in line for depositors in a bank which has equipped itself with a Diebold "Rush Hour Depository." As manufactured by Diebold Safe & Lock Co., Canton, O., the depository is a substantial safe with a

pillarproof deposit slot in its top. Depositors seal their checks and currency in "Rush Hour Deposit Envelopes," patented by William Cherney & Associates, Chicago, and receive acknowledgments by mail.

## LIGHT CONDITIONING . . . .

*an important new factor*

## IN INDUSTRIAL EFFICIENCY



**L**IGHT CONDITIONING makes Charlie Sedgley's job easier, and pleasanter . . . and helps him do it better.

Because Light Conditioning provides the right amount of light and the right kind of lighting for easier seeing, for greater eye-comfort and for better working conditions. It provides Better Light for Better Sight.

That is why executives everywhere are interested in light conditioning, and why it is an important new factor in industrial efficiency. By making seeing easier, light conditioning makes working conditions more pleasant for employees; it reduces the number and severity of accidents; and it increases efficiency and work quality.



An important factor in light conditioning is the use of good lamp bulbs in sight-saving sizes. Always insist that the bulbs used in your plant, office, store or home bear the trade-mark G-E. Then you'll be sure to get lamps that Stay Brighter Longer.

**FOR SPECIFIC SUGGESTIONS** on light conditioning, telephone your local electric service company. The help of their lighting experts to aid you in obtaining the greatest possible value from your lighting is available to you.

**GENERAL  ELECTRIC**  
**MAZDA LAMPS**

## Road Show Crowded

20,000 attend Cleveland exhibition. Year's expenditures will top \$1,100,000,000.

KNOWING full well that 1938 state budgets for roadbuilding will run 12½% greater than in 1937 and that federal allocations already made will probably not be affected by President Roosevelt's moves to lower Federal roadbuilding participation (*BW—Dec 4 '37, p. 14*), more than 20,000 contractors, engineers, manufacturers, government experts, and assorted acolytes converged happily on the Road Show at Public Hall, Cleveland, Jan. 17-21, and the accompanying 35th annual convention of American Road Builders Association.

### Reason for Cheerful Mood

Careful field surveys by *Engineering News-Record* reveal that 1937 expenditures for state highway construction reached \$1,060,000,000. Add 12½% to this for 1938, and the year will move into the exclusive company of the two sole years which topped \$1,100,000,000 (1936 showed \$1,131,000,000; 1930, \$1,140,000,000.) No wonder the boys came on to Cleveland in cheerful mood.

Road Show exhibits proved bewildering in their elaborateness and variety. Some 400 manufacturers displayed over \$8,000,000 worth of new equipment, materials, testing apparatus, and all the minutiae of things which go into modern roads. Towering booms of power shovels formed a forest in the exhibition hall; tractors, trucks, snow plows, scrapers, gigantic concrete mixers, and specialty equipment vied for attention.

Outstanding trends could be segregated in three categories: (1) advances in engineering design and materials; (2) greater versatility of individual pieces of general equipment; (3) higher development of the more specialized types of equipment.

### Welding Shows Progress

Visitors to the 1931 Show in St. Louis will recall their surprise at seeing the first all-welded job to be placed on exhibit, a carrying scraper. Welding has made tremendous strides since then, but design engineers no longer go to extremes in welding; they are proving their practicality in the way they do not now hesitate to incorporate a cast steel or forged part or a tubular section where it will do the most good in facilitating manufacture or use. Increased versatility was shown by road graders and excavators which have now been adapted to the wider and flatter backslopes, the improved shoulders and ditches which have become integral parts of modern roadbuilding. A good example of highly specialized equipment was the subboiling machine which has

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Wide World

SOME OF THE \$8,000,000 worth of equipment on display at this week's 35th annual Road Show in Cleveland.

been developed for bituminous base stabilization.

1938 roadbuilding equipment rides on huge pneumatic rubber tires, except for the larger cranes and shovels and haulage units, which travel sure-footedly on crawler treads. Diesel engines seem again to be in the ascendant. Higher speeds rule in everything from road pumps to concrete mixers. The 2-yd. shovel of today will move more dirt than the 1- or 1½-yarder of just a short while back.

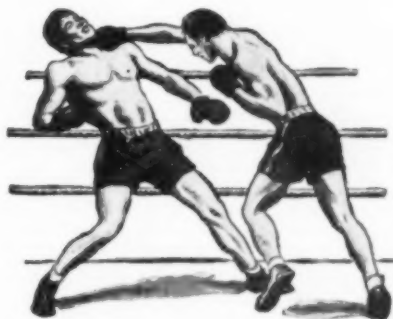
## Labor Boycotts

In New York and Chicago, electrical union bars materials of certain manufacturers.

LABOR observers attempting to predict the course of union activity during 1938 have been listing boycotts as one of the worst problems; this week they had two or three new wrinkles along that line to consider.

The boycott which arises from a temporary strike can be settled if the original dispute can be settled. But the involved boycotts which arise from a hostility of many years' standing between an employer and a union are more difficult to straighten out. New York City has had a big one on its hands for more than a year (BW—Oct 23 '37, p24) in which 14 electrical manufacturers sued Local No. 3 of the International Brotherhood of Electrical Workers, an American Federation of Labor union. Not straightened out yet, the case arose from a contract between the union and a group of local contractors, and according to the plaintiffs it barred their materials on building jobs, because they do not recognize the union in their plants.

Similarities between this situation



## Wide Open

The boxer who leaves himself *wide open* often goes down for the count.

Likewise, the home-owner or business man who fails to keep up his guard against the consequences of injuries, illness, automobile accidents, robbery and embezzlement may receive a *knockout blow*.

Your best defense lies in the sound security which Standard Accident of Detroit offers. Let one of its 9000 representatives study your specific situation and advise you how to keep *completely covered*. For incomplete coverage often proves as bad as none.

Standard's 54 years of experience and its sturdy financial structure will stand you in good stead.

**STANDARD ACCIDENT INSURANCE COMPANY**

*Standard Service Satisfies . . . Since 1884*



and newer ones in other cities are apparent. And the next biggest city—Chicago—is the locale of a union-plus-contractor jam which not only tied up a big building project but which involved the federal government.

The union which called electrical workers off the job at the new sewage treatment plant in Stickney, a Chicago suburb, was Local No. 134 of the I.B.E.W. which is the group involved in the New York suit. Local No. 134 is under command of Michael ("Umbrella Mike") Boyle, long-time building trades "czar" in the Chicago area. And the government comes in in this way: the new plant is being built with Public Works Administration money.

### A Baffling Situation

Joshua D'Esposito, resident engineer on the job, admitted that he was baffled by the situation; government people declared that a continued strike might prevent the Sanitary District of Chicago from fulfilling terms of the contract under which the PWA grant was made. A labor expert from Washington was called in last week, to try to untangle the twisted skein of charges and countercharges. Yet, on the surface at least, there didn't seem to be much to quarrel about.

Actually, there is a local association of union leaders and contractors in the background, which is known as the Electrical Insurance Trustees and which

has offices at 228 No. LaSalle St. This group has on one side the Electrical Contractors Association, on the other side the A.F.L. electrical workers. It has notified builders that any contract signed by its members must include a payment of a sum equal to 6% of the total, which shall go to the Electrical Trustees. Ostensible purpose of such a fund is to care for union matters such as insurance, relief, and so on.

### G.E. Just Wasn't Recognized

On the sewage disposal job, the fun began after a contract for \$645,636 in materials and installation had been let to General Electric. The G.E. bid was lowest, and all seemed a regular matter of business. But G.E. is not a member of the contractors' association, and "Umbrella Mike" declared that Local 134 didn't recognize G.E. as an employer, at least in Chicago. After G.E. sublet the installation job to a local contractor, the strike still held—G.E. just wasn't recognized, and that was that.

All this had been going on for six or seven weeks up to this week, and it still looked tough. As a local problem it was something for Chicago to worry about—as a hint of future moves in other cities the union-contractor boycott was a glimpse into 1938. Observers looking into the matter foresaw only one solution: eventual decision by the courts as to just how far such combinations could go.

## LABOR ANGLES

Negotiations for renewal of the labor contracts between U. S. Steel and the Steel Workers Organizing Committee of C.I.O. aren't to begin officially until Feb. 7, but those who have an ear to the ground following preliminary talks have heard of one suggestion which the conferees will discuss. The suggestion is that hourly wages be reduced and in general taken out of the spotlight, in favor of a guaranteed amount of work, or annual wage. Nobody is pushing the idea strongly, yet, but it will be on the table and may create a sensation equal to that occasioned by the original contract.

\* \* \*

As the business recession goes on, several agencies are trying to catch up with the statistics on just how much it hurt, and just where it cut deepest. John Lewis asked all C.I.O. offices to send in data in December; the A.F.L. has several research surveys going, and management advisory agencies are beginning to put out reports on the slump. Most complete to date is that by the National Industrial Conference Board, just released. It shows that 90% of 475 companies reporting used "spread the work" plans instead of layoffs, at least for the period up to the end of December. Very few companies reduced wage or salary rates. The slump had hit most of them, with only 11.2% operating, in late December at the 1937 peak.

That happy day when industrial unionism was to bring "just one union" to each plant and less worry to the management seems to have been delayed. Last year's C.I.O. contracts in steel plants, for example, were signed principally on a basis of representation for the C.I.O. members only. The membership was spotty in some cases; now there are four (count 'em, four) groups in many plants. The old company union (or employee representation plan, to be polite) group is still there, the C.I.O. is, too, and the A.F.L. has been colonizing. Fourth group is still pretty big—the boys who don't want any of the unions and want to hoe their own row.

\* \* \*

More and more frequently, employers and industrial relations workers are asking for recommendations on "good texts on labor problems." During 1937, *Business Week* published its own summary of industrial relations problems, which proved fairly popular. Among other "best sellers" could be listed the following: "Labor's Search for More," by Malcolm Keir (Ronald Press); "How to Handle Grievances," by Glenn Gardiner (Elliott Service Co.); "Problems in Labor Relations," by Herman Feldman (Macmillan Pub. Co.); the Princeton University report on industrial relations in steel; and "How to Deal with Organized Labor," by Alexander Feller and Jacob E. Hurwitz (Alexander Pub. Co.).

## Action on Ship Labor

**Senate report brings showdown nearer. East and West union groups plan a federation.**

ALTHOUGH still a long way in the future, the showdown on America's merchant marine labor problem came a bit closer this week, with heightened activity on both coasts. In Washington, a report by a joint commerce-and-labor committee of the Senate intensified the demand for revision of the two-year-old Merchant Marine Act; in San Francisco ship-and-dock union leaders of the Atlantic and Pacific ship lanes met to form a national federation.

Since the West Coast labor troubles of 1934 which tied up the ports completely, unions have organized fast. The Pacific coast, with another long strike early last year, has had more trouble than the Eastern seaboard, but the East has had its share. And recurrent stories of insubordination, surliness, drunkenness, and fore-castle rule aboard ships have scared a lot of people.

Union members have replied to such charges with general denials, and counterclaims of employers' callous disregard of the Wagner Act and of National Labor Relations Board orders, and of a "union busting" campaign.

### Possible Lines of Action

In Washington this week, consensus among political observers was that Congress probably would not crack down on maritime labor very hard, but that there might be action along these lines:

(1) Labor relations rules already laid down in the Bland-Copeland bill, requiring wage scales and working conditions to be written into operating subsidy contracts, separation of officers' quarters from those of the crew, a system of written complaints to take care of grievances, insignia for naval reserve officers, and prohibition of discrimination between reserve and non-reserve personnel; (2) a mediation board such as Joseph P. Kennedy of the Maritime Commission wants.

In the opinion of Sen. Thomas, chairman of the Senate Labor Committee, and other legislators, the country doesn't want navy-service or semi-service personnel to replace free-lance labor on merchant ships, because such a change would represent defeat for both employer and employee in the present individualistic merchant marine. But it is possible that there may be moves for a government-owned auxiliary merchant fleet, to ensure defense requirements which many believe inadequately covered at present. But such a plan would not solve the conflict between shipowners and labor on the private fleet, and everyone realizes that the conflict is getting worse instead of better.

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West in the San Francisco labor union meetings opened slowly and cautiously this week, with such individualists as Harry Bridges and Joseph Curran playing their cards carefully and trying to avoid giving away any prestige to the other. The conferences were a C.I.O. setup, with A.F.L. and independents led by Harry Lundeberg on the sidelines. In the background, C.I.O. policy-makers were trying to boost Curran, cut down Bridges—which is a very tough job to do in Bridges' own backyard and in front of his hard-boiled, two-fisted supporters.

## Ships May Not Shift

**Panama Pacific liners may remain on run from San Francisco to New York indefinitely.**

THE future of intercoastal steamship services to the Pacific Coast is very much in the business air this week as the Maritime Commission prepares to hold a series of conferences with business leaders in the principal ports, beginning Jan. 24 in San Diego.

Far Western business feels strongly the threatened loss of the Grace and Panama Pacific "luxury liners" due to be transferred to the New York-East Coast of South America run in April (BW—Oct 16 '37, p 34). Besides the effect of a shift on tourist trade, the "loss of prestige" angle disturbs the Coast.

Taking a tip from Joseph P. Kennedy, chairman of the Maritime Commission, a delegation of Coast business and civic leaders were in Washington this week in behalf of the Welsh and McAdoo Congressional measures providing for subsidies for intercoastal services and a cut in Panama Canal tolls.

## Business Is Hopeful

Meanwhile, Coast business grasped hopefully at indications of an even chance that the Panama Pacific liners *California*, *Pennsylvania*, and *Virginia* would remain on the San Francisco-New York run even after next April, and perhaps indefinitely.

Abandonment of intercoastal service by the Grace Line has materially improved the outlook for Panama Pacific, maritime observers point out. In the face of a general decrease in business, passenger bookings on Panama Pacific ships have increased in the last few weeks. Competition on the route has dwindled also because of the suspension of Dollar's intercoastal-Oriental service. Panama Pacific now has no direct passenger competition eastbound and only the every-other-month sailings of the Dollar's round-the-world ships westbound.

*Pacific Shipper* points out that, unlike the Grace line, which simplified its problem by purchasing the fleet and

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business of the Red "D" Line, the Panama Pacific has run up against a number of difficulties in its East Coast of South America project. Chief among these has been the stubborn problem of the bankrupt Munson Line, already in the New York-River Plate run, over which four or five different groups of owners and creditors are struggling. For this and other reasons, negotiations have dragged for months, during which the intercoastal prospects have brightened by withdrawal of Grace and Dollar services.

The Panama Pacific plans are also said to have contemplated the substitution of smaller passenger carriers in the New York-Pacific Coast run; and the ships of the Baltimore Mail Line, partly owned by the parent company of Panama Pacific, were being consid-

ered as likely replacements. But, early in January, the Baltimore Mail's interim subsidy was reported to have been extended for nine months, eliminating these ships from any plan to shift them on to the intercoastal route.

## Plan Sea Synthetics

**Nazis will try to feed and clothe Germany with whales, sharks, and fish.**

BERLIN (*Business Week Bureau*)—The seas will be exploited both to feed and clothe Germany, as the famous Goering program to make Germany as nearly as possible invulnerable develops.

Whale oil is going to provide Germany with butter fats; sharks are going to add to the leather supply; fish from neighboring waters are going to provide a wool substitute and sausages.

Six units of the new German whaling fleet—referred to patriotically here as "floating colonies"—are now operating in the Antarctic and are expected to bring home 100,000 tons of whale oil for margarine.

Another special company has been organized to fish tropical waters for sharks. One of Germany's largest leather companies has a financial interest in this project. Shark meat will be used as fish meal for fertilizers.

The most important development, however, is growing out of experiments in the making of fish wool and fish sausages.

The Deutsche Eiweiss Gesellschaft of Hamburg, in cooperation with Prof. Otto Mecheels, outstanding German textile expert, has succeeded in developing a process for the production of textile fiber from fish albumen. This albumen fiber is in many respects similar to "Lanital," the Italian casein fiber, which is also made from an albumen base.

Initiators of the Hamburg project claim that their fiber possesses two important advantages over Lanital. In the first place, it does not divert milk from human consumption (it requires about 35 lb. of milk to produce one pound of Lanital), but is based on fish available in practically unlimited quantities. In the second place, the spinning qualities of fish wool are said to be higher than for Lanital. It is claimed that a mixture consisting of 20% fish wool and 80% cellulose fiber presents particular technical and economical advantages as a substitute for wool.

## Goering Orders Fish Sausage

More than a year ago Gen. Goering instructed a group of fish canning specialists to find ways and means for the production of a fish sausage, which could be substituted for the favorite German meat sausage.

All efforts to turn out a pure fish sausage which in taste, appearance, and durability could compete with meat sausage have so far proved unsuccessful. German consumers, nevertheless, will soon be offered a fish meat sausage as a compromise. Some manufacturers, by adding about 10% of beef and some animal blood, have produced a product which looks very much like the regular meat sausage and sells at about 30% less. The price difference will be even less in the case of the new liver sausage consisting of 50% fish and 50% liver.

No effort has been made to eliminate the fish taste and smell, which means that both are likely to meet with considerable consumer resistance.

## Avoiding Storage Burns

OTTAWA—Dark spots or freezer "burns" on cold storage chickens do not affect their quality but lessen eye appeal and produce sales resistance. Their cause and correction have puzzled research workers. National Research Council of Canada claims to have found the answers. It has found loss of moisture on the surface of the birds during storage produced the spots. A sealed wax paper lining for the storage packing-box is the cure. Poultry emerges from the box after as long as 14 months in storage without spots. The discovery is expected to benefit poultry raisers, dealers, and exporters.

## APPCO ENVELOPES

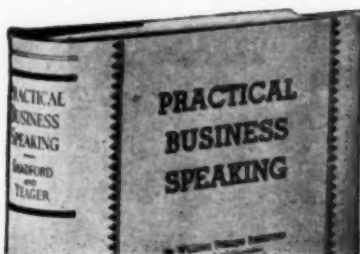
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## Business Abroad

**Settlement of French government crisis restores calm but long-term outlook is not good. Soviet Union is expected to announce big naval building program. Shortage of farm labor develops in Germany, forcing import of workers from Central Europe.**

THE POLITICAL ATMOSPHERE has cleared slightly this week with the announcement from Paris that a new cabinet has been formed under the conservative leadership of Camille Chautemps, but the flurry on European markets following the fall of the earlier Chautemps government and the temporary collapse of the franc has left all capital centers a little nervous. Stocks generally are back to previous level, but turnover is restricted, and there is less confidence in the future. Commodities were comparatively steady.

What cautious observers cannot forget is that the governmental crisis in France is symptomatic of troubles in a dozen smaller capitals, and that it is evidence of a slow but steady trend away from peace.

Paris anticipates a succession of short-lived governments, and hopes that a national election will give a fresh mandate to some conservative group which will deal vigorously with the extreme demands of both left and right wing groups.

In the meantime, however, there seems to be little confidence that the franc can be maintained without some kind of control over capital exports. Chautemps is pledged to maintain freedom of exchange, but when the turn of the left wing comes they are likely to embargo shipments of capital out of the country.

Europe is drifting toward trouble, ultimately, and the farsighted American business man is being influenced in his long-term planning by this obvious development.

The National Industrial Conference Board, in a recent survey of conditions in Europe, summarizes the situation succinctly:

"Current conditions in leading European centers are strikingly similar to those that prevailed in this country during the summer months. Output remains at a high level, but is supported by large backlogs, while new orders have been seriously contracted. Production is declining sharply in Belgium, and in the Netherlands is already 25% below the 1929 level. British production has declined only slightly, and Sweden is still well ahead of the pre-depression levels."

Public works and arms programs are partially responsible for sustained activity in several countries but not even the increased defense programs expected all around this spring are likely to make up for the slump in private business. About 80% of Germany's building is on government or-

der. The Soviet Union is expected to announce very shortly a greatly expanded national defense budget, with a huge appropriation for the building of a navy. Russia has been the largest purchaser of machine tools in the United States during the last few months, and the principal buyer of copper in London. Rapid expansion of Soviet participation in the war in China is thought to be responsible for much of the recent buying.

Japan has not yet revealed the national policies outlined at the seldom-convened Imperial Conference, but the press has made it plain that Tokyo is concerned over the plans for United States participation in the naval parade at Singapore, the possibility that the

### His Support Essential



LEON BLUM (above) heads the Socialist party in France which will not participate in the new Chautemps government, but which has promised its support. Blum was the first leader of the Popular Front, which dissolved last week when Camille Chautemps formed a new cabinet made up almost entirely of Radical Socialists—the real conservatives of the Popular Front. The new government can continue only so long as it has the support of the Socialists, in whose ranks there is considerable divergency of opinion.

## FOREIGN ANGLES

Yoshisuke Aikawa, admirer of Ford production methods and president of the Nissan interests which have been commissioned by the Japanese government to build up Manchukuo's heavy industries, is planning a visit to the United States this spring in the hope of tempting United States capital to participate in the industrial development of Manchukuo. Trial balloons sent up last fall in Japan brought no more encouraging response than the rumor published in New York last week that Japan would like to have the United States share the Manchukuo development project to the extent of \$50,000,000, which would be invested in equipment made in the United States.

The Otto Wolff company, of Cologne, Germany, is reported to have invested about \$10,000,000 in Manchukuo late last fall. Dozens of German manufacturers are supplying equipment to Japan, taking in return increasing quantities of the raw materials available in Manchukuo and North China.

In an interview in Tokyo recently, the aggressive Mr. Aikawa declared: "An aerial trip over Minnesota, Dakota, and Michigan will at once convince one of the resemblance between these regions and Manchukuo. For this reason, the small-scale methods of economic development

which have been practiced in Japan should not be applied to Manchukuo. There must be established an economy which is based on far-reaching schemes, as has been done in the Soviet Union and the United States."

Germany, in 1936, shipped \$9,500,000 worth of the goods supplied the United States from abroad under the 1,000 classifications on which Washington is now offering to negotiate trade concessions with London. Since Berlin abrogated its trade agreement with the United States providing most-favored-nation treatment, any concessions granted the British will not be shared by the Reich. Germany can thus be squeezed out of as much as \$9,500,000 of American business should concessions be granted on these items.

Visitors just returned from Teruel report that morale in the Spanish Loyalist forces is high, and that leaders expect fighting to continue for another two years before they can win a decisive victory over the Rebels. They claim to welcome the prospect as a period in which to increase discipline, and unite and educate their various supporting groups.

More significant to London than the trade involved in the current Anglo-Irish talks is the prospect of a cooperative defense program.

Philippines act will be revised to allow for gradual imposition of duties on Philippines until 1960 instead of cutting all trade ties in 1946 as now provided, and the growing evidence of important foreign support of the Chinese armies.

## Soviet Union

**Moscow plans big navy. Defense expenditures will mount. Mezhlauk is out of the State Planning Commission.**

Moscow (Cable)—Unable to make a binding military alliance with any of the great powers except the loose and conditional pact with France, and confronted with increasing evidence that conditions in both the Far East and Europe are getting worse instead of better, the Kremlin is preparing to embark on an extended national defense program which, in the next few years, may consume more than the traditional 20% of the Soviet Union's national budget.

For weeks, political leaders and military chiefs have been demanding the world's largest army and the greatest air force. This week, Moscow's new naval commissar demanded that the navy be made "the world's most powerful and in the shortest possible time." Whether or not this can be accomplished in a reasonable time, there is no doubt that the next defense budget, when it is announced, will include a very large appropriation for naval building.

**Soviet defense expenditures** were estimated at more than 20,000,000,000 rubles in the 1937 budget, and they amounted to 20.7% of the budget. In spite of the haste to build up a military machine second to none, the Kremlin has heretofore carefully avoided spending more than this proportion of the annual national budget. Moscow expects that the proportion will be greater this year.

**V. I. Mezhlauk**, well known in the United States where he once worked and later handled considerable buying for the Soviets, has been released from the leadership of the State Planning Commission without any official explanation.

Discontinuation of commercial payments to Italy by the Soviet government this week will be a greater loss to Italy than to the Soviets because the trade has balanced heavily in Russia's favor. The break was precipitated by Italy when the naval ministry refused to meet the payments due for Soviet oil deliveries already made. The incident is more significant politically than economically, for the entire turnover last year amounted to less than \$5,000,000.

## Canada

**Business activity holds at recent levels. Heavy industries are likely to profit from defense program.**

OTTAWA—Surveys of the Canadian situation continue to be encouraging. Heads of finance and industry are satisfied with Canadian conditions and are concerned only about reactions to external developments. President Morris W. Wilson, of the Royal Bank of Canada, looks forward to a prosperous

1938 provided conditions in foreign countries do not too seriously affect Canadian trade.

Retail and wholesale trade has held to the seasonal level. Carloadings and bank clearings were off last week.

Certain industries which are capable of being converted into munitions plants are likely to profit in the next few months.

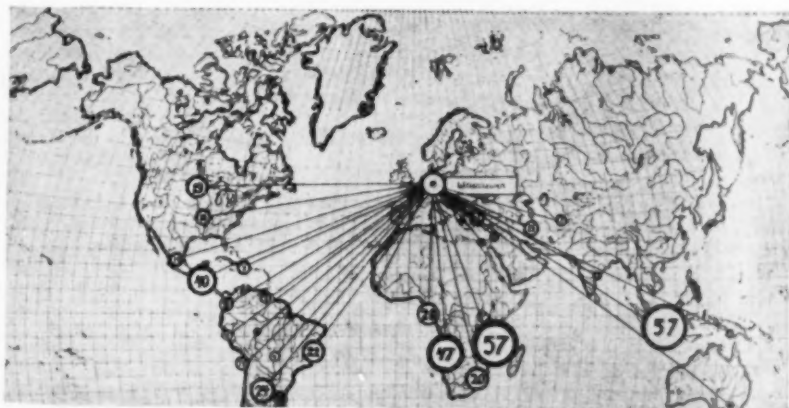
Canada is really going in for defense expenditure. In its last session, parliament was shocked by a government appropriation of \$35,000,000 for

## Germany Trains for Colonies That Don't Yet Exist



**PROOF**, if it is needed, that Germany is in deadly earnest in her insistent cry for the return of lost colonies, is afforded by the intensive training being given selected groups of German boys for the day when they may become colonists in far-off lands. One such colonial school is at Witzenhausen, in central Germany.

Founded in 1899, it is the scene of renewed activity, as shown by the recent photograph above of a gardening class in which methods of raising tropical plants are taught. Other typical courses at the school are the study of livestock raised in likely colonial territories, and the study of foreign diseases.



**THE MAP** above was released by the Witzenhausen school and shows places where students have been sent recently to gain special training and experience to fit them for colonial service. The map

does not indicate those portions of the globe in which Germany has colonial ambitions. Rather, for example, the students shown in the U. S. are here to observe power and land reclamation projects.

defense. The session which begins this month will probably see a much larger order.

**Expenditure for defense** has been influenced recently by Quebec nationalism. Two recent by-elections—one this week—have shown that Quebec has developed a self-defense complex. Candidates supporting government policy of building up defense armaments have been elected.

When parliament meets, a committee will consider a project for providing western farmers with cheaper farm implements.

It appears probable that in the new reciprocity treaty negotiations Canada will be willing to sacrifice protection for her farm implement industry in order to help out the western agricultural situation.

## France

**New government swings to the Right. Stricter control over labor expected; foreign exchange control not expected. Business recovers somewhat.**

PARIS (*Wireless*)—A Chautemps government fell last week, and another was created this week. The difference between them is that the old group represented the full Popular Front—Communists, Socialists, and Radical Socialists—while the present one is almost exclusively made up of representatives of the Radical Socialist party, though it has the promise of Socialist support in parliament.

It will be several days before the new government formulates a program and seeks a vote of confidence in the Chamber of Deputies, but there are several policies which Premier Chautemps and the Radical Socialists are known to support:

- (1) Freedom of franc exchange;
- (2) Modification of recent drastic labor legislation until industry can adapt itself gradually to the new high costs of the 40-hour week, paid vacations, and higher taxes to cover social security;
- (3) Compulsory arbitration of wage disputes.

**Business has recovered** somewhat from the political flurry of last week. After being closed for a long weekend following a bank holiday the bourse opened strong this week, with investment capital flowing into stocks in the fear that further franc devaluation was imminent.

Not all of the scare capital remained in France, however. Both Amsterdam and London reported an influx of outside capital for investment in stocks or the more stable currencies of these countries.

The franc rallied strongly on hur-



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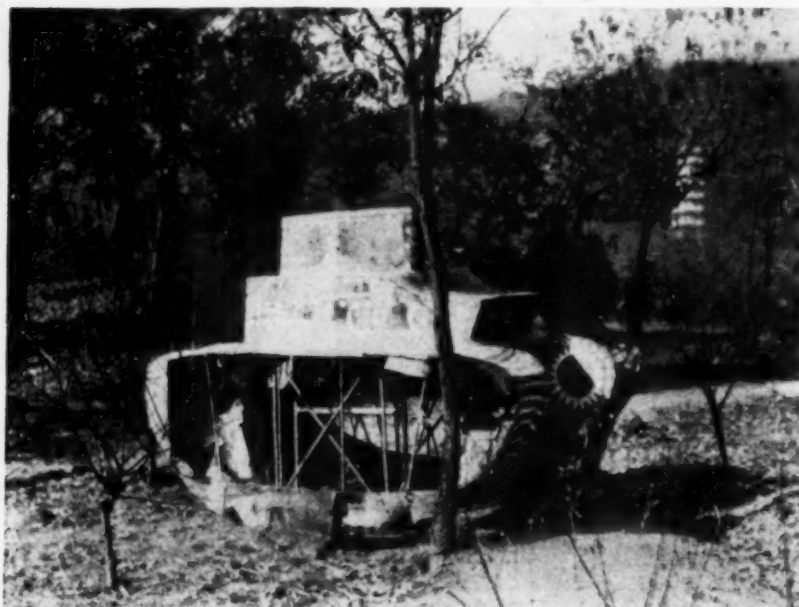
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## OTIS MAINTENANCE

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## Chinese Use Decoy Tanks to Draw Japanese Fire



**J**APANESE forces near Nanking wasted shells, bombs and machine gun bullets on paper tanks like the one above. Japa-

nese feeling, when the tanks fell into their hands, was that "the Chinese are insincere and do not show proper respect."

ried covering by shorts. Spot francs went to a premium early in the week, but futures continued at a discount. Belgian francs were weak in reaction to Paris, and the whole exchange market is nervous following last week's franc decline to the lowest figure since November, 1926. Hoarding has been resumed on a large scale.

Because the government is again to be headed by Chautemps, unusual interest has been stirred in the findings of the special mission created some months ago to study the recent social legislation and the problems that it has created. Employers, employees, and the government were represented in the commission, which has completed its report. Since the Chautemps government is likely to act on the recommendation, they are summarized briefly:

(1) The 40-hour law, and the regulations covering collective bargaining will be enforced;

(2) Adjustments will be made, however, in those industries which are extremely seasonal or which for other reasons have exceptional peaks. In these cases, workers will be compelled to make up as much as 100 of the hours lost during slump periods. In some respects this is similar to the fixed work year which is in operation in a few plants in the United States;

(3) Layoffs will be permitted in certain industries after one month of inactivity in any industry, provided laid-off workers are given priority when work is resumed;

(4) Because of the shortage of

skilled workers in some industries, skilled labor may work as much as 75 hours a year above the maximum set in the social legislation, and may do this at the rate of as much as three hours in any one week;

(5) In a few industries (to be named by the Labor Ministry), workers will be allowed during 1938 to work more than the prescribed 40 hours in order to cover domestic demand which might otherwise be supplied by imports;

(6) In some cases, the Labor Ministry will be allowed to keep machines operating more than the prescribed 40 hours by hiring extra workers;

(7) Extra working hours will be authorized for the industries working for the national defense and public works.

## Great Britain

**Markets are steady, prices firm. Business outlook is fair.**

**LONDON (Cable)**—There is a fresh determination in business quarters this week to concentrate on new developments and leave slump debate to the economists.

**Volume of trading** on the stock exchange has been limited this week due to the political crisis in France, but restricted domestic demand has been partially countered by a fresh influx of scare capital from the continent.

Business leaders show little confidence in the new French cabinet, and look for a series of political crises in France before a satisfactory adjustment is made between the extreme demands of both capital and labor.

In the midst of active buying of gold shares, the Transvaal announced that gold production in 1937 had touched a new high of 11,740,891 oz., compared with 11,339,411 in 1936. At \$35 an ounce, last year's output was worth \$410,931,185.

**Scrap iron** supply is now equal to the demand. Declining demand for shipping tonnage in other fields has freed bottoms to handle shipments from the United States.

The cost of living is still climbing. On Jan. 1 it was more than 5% higher than it had been a year earlier.

## Germany

**Farm labor shortage necessitates importation of Central European workers.**

**BERLIN (Cable)**—The labor shortage is becoming acute in Germany.

In spite of the 420,000 increase in the number of jobless during December, German business is faced with the inability to secure workers to carry out the government's huge construction contracts and the plant expansions which are being made to handle the new synthetic products which must be developed.

Abnormally severe winter weather is blamed entirely for the jobless increase in December. These workers will be absorbed immediately the construction industry is able to resume full activity. The government is responsible directly for 80% of the building now under contract.

**Polish farm workers**—probably 100,000 of them—will be imported into the Reich this spring to take up the slack caused by the rush of German workers into industry. The seriousness of the emergency is evident when it is known that this will cost Germany nearly 35,000,000 marks of foreign exchange.

**The food shortage**, already acute, is being further endangered by the rapid spread of the hoof and mouth disease. Repercussions of an extensive slaughter campaign would be felt for several years.

**The stock market** is suffering from a new wave of liquidation by Jews who are frightened by the newest anti-semitic propaganda campaign, but there has been some support due to the demand for steel and bank shares on the hope of large dividends.

The new one billion mark government loan was oversubscribed.

# Money and the Markets

**Stocks reluctantly give way, mainly because of the profit-taking that followed the 13% rise from December lows. Roosevelt's holding company attack and Erie's reorganization also have an effect.**

MARKETS were harassed this week. The public utility securities were depressed by President Roosevelt's latest attack on holding companies. This new breach with the power companies—at a time when utility expenditures are much to be desired—led to some new doubts about the New Deal's sincerity in offering to cooperate with business.

Stocks gave ground, albeit grudgingly. There was little to put them up except hope that the recession's low has been passed. On the other hand, there was nothing in the news to precipitate selling other than those things which for some time have been clearly forecast. Perhaps the biggest weight on the stock market was inherent within itself—the fact that it has risen in the neighborhood of 13% from the December lows and was due for a good deal of profit-taking.

## Rails and Utilities Sag

Prices of industrial shares were retarded, too, by the action of rail and utility issues. The power company securities, as noted, were dragged down by the turn in the Washington news.

Railroad securities were set back by the character of operating statements for the final couple of months

of 1937, and by the decision of the Erie Railroad to reorganize.

The railroad bond market, as a matter of fact, continues to give about as disappointing an account of itself as any of the securities markets. Second-grade carrier liens, in particular, have been taking a beating for weeks. In this division, possibly even more clearly than in the carrier shares, the distressing effect of declining earnings are visible. This is in contrast to the high-grade industrial bonds which, moving more in response to the generally low level of interest rates, have maintained a pretty even keel.

## SEC for Self-Rule

**New bill authorizes dealers in unlisted securities to do their own regulating.**

DEALERS in unlisted securities are prepared to undertake a thorough job of self-regulation, and the Securities and Exchange Commission has taken the final decisive step in turning that job over to them. This, the lengthiest stride ever taken in cooperation between a securities group and the SEC, climaxes two years of intense study. A bill sponsored by the SEC was in-

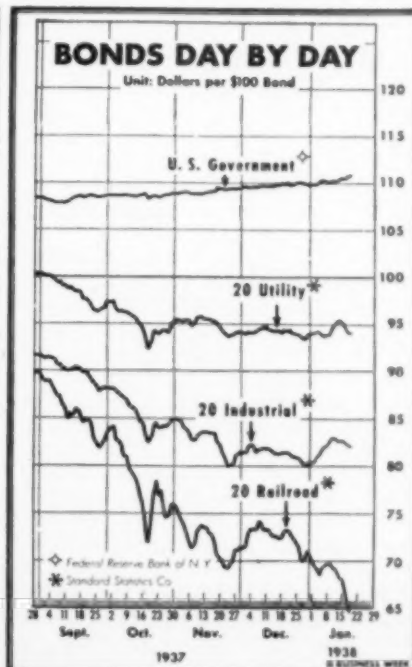
troduced by Sen. Francis T. Maloney the first of this week.

The program envisages self-government for 6,766 over-the-counter houses, perhaps five times as many as are members of organized exchanges. It provides for regulation of trading in 60,000 securities issues, ten times as many as are listed on the exchanges. It covers markets which handle eight or ten times the volume in government bonds that is recorded on listed markets. And it will govern almost all transactions in state and municipal bonds as well as most of the ramifications of originating, underwriting, distributing, and making the secondary market for flotations of new bonds and stocks.

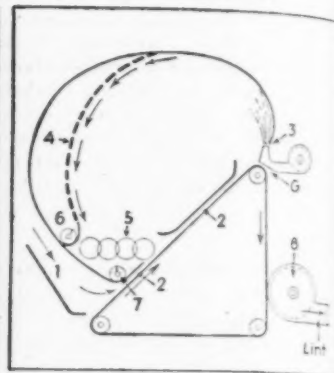
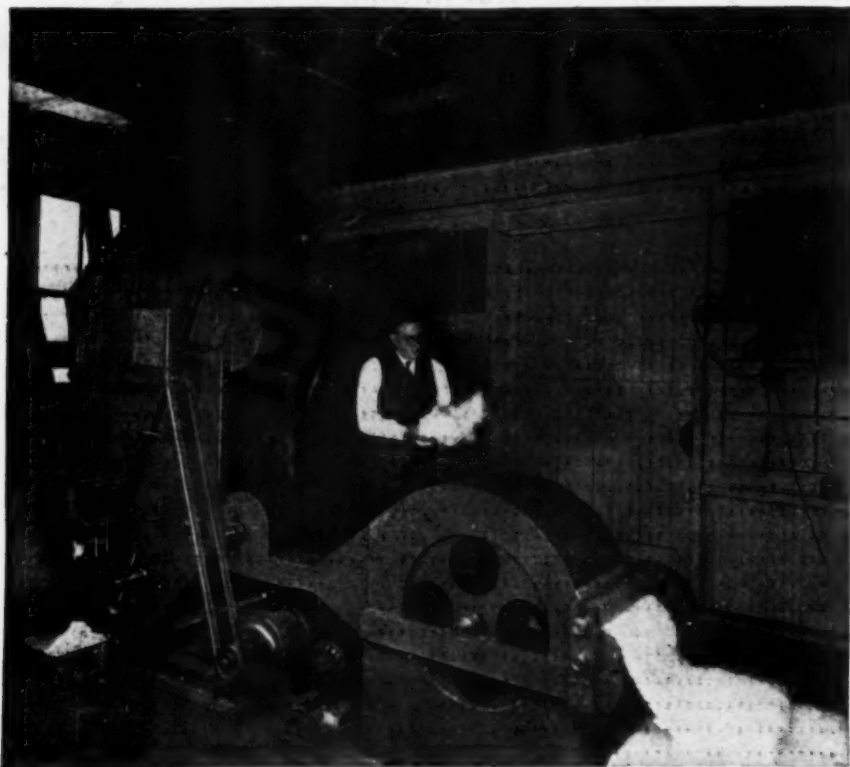
## Associations to Register

The legislation offers the dealers the privilege of organizing "national securities associations" along regional lines. These associations will have much the same standing as the "national securities exchanges" legalized in the Securities Exchange Act of 1934. However, the SEC delegates to these regional associations greater self-determination than it has ever given the exchanges. For, as Chairman Douglas says, "there seems to be a courageous nation-wide leadership," and an appreciation of the opportunity of self-discipline which "the exchanges to date have not clearly seen."

That is not to say that the SEC abdicates authority over unlisted markets. It allows registered associations, under the new bill, to make their own rules and administer them so as to observe legal and ethical standards and to safeguard their rela-



## New Gin May Be Missing Link Between Mechanical Pickers and Spinning Mill



**Description of diagram of Watson Centrifugal Gin—** (1) Seed cotton sowed and travels along belt (2) (which is constructed of card belting of type used in cotton mills) making 3,000 to 4,000 revolutions per minute, to point (3) where it is struck with air blast which blows cotton up and against mesh screen (4). Four rollers set at distance apart allow seed to drop through only when delinted from this seed grid (5) seed drop into outlet and out of the machine. Trash blown out of the cotton is eliminated through trash auger (6). Cotton continues to travel round and round inside the gin on revolving belt and by force of air jet, until the clean lint is carried out through ginning zone (g), stuck to card belt and removed from belt by gin brush (8) and carried into condenser.

**M**ECHANICAL cotton pickers are here to stay. Cotton men are convinced of that fact. And because mechanical pickers leave more seed, lint and trash than do hand pickers, cotton men are watching with interest the testing of the first gin to desert the original Eli Whitney method (*BW*—Dec 18'37, p40). The new gin is the invention of Frank Watson of Jonesboro, Arkansas. Test operations are being carried on at a Bridgeport, Conn., plant.

The principle on which the new machine works is sound and simple—separation by centrifugal force. All present gins use saws and ribs for the cleaning operation, but experts who have watched the new gin in operation freely admit that it turns out

far cleaner cotton. They state, however, that until exhaustive tests have been made with the cooperation of the government ginning laboratories—to determine the machine's capacity, the staple length and spinnability of its turn-out—that until then it cannot be accepted as a revolutionary factor in the cotton industry. Such tests will require several months.

However, several leading ginners of the South plan to go to Bridgeport at an early date, taking their own seed cotton with them, to conduct personal experiments on the working model. If satisfied with results they will get the jump on competitors by starting the use of the Watson gin for next season without waiting too long for approbation by government laboratories.

tions with one another and with the public. The SEC, however, retains a long list of rights to review, revise, and countermand. Nevertheless, it specifically gives up the right to fix dealers' maximum or minimum profit or compensation.

The bill faces little real opposition, although there may be some modifications. The Investment Bankers Association considered it at some length at its winter board meeting the end of this week. The Investment Bankers Conference, which has worked closely with the SEC on the plan since early in 1936, takes it up at an executive meeting in New York on Monday (Jan. 24). Both groups, however, are completely familiar with the bill and sympathetic with almost all its provisions. Dealers who aren't so familiar with it have done the criticizing so far, and they are expected to subside when they understand it better.

Dealers aren't compelled to join regional associations. If they don't, though, they face "pervasive" regulation by the SEC. The associations, it is anticipated, will join the Investment Bankers Conference, as the SEC chairman has indicated that such is his favorite plan of administration.

**An Empire Fades**—The dream of the late Van Sweringen brothers—a vast railway system from New York to the Rocky Mountains—has been pretty thoroughly shattered. The crowning blow came this week when the Erie Railroad decided it was necessary to reorganize under Section 77 of the bankruptcy statutes.

The "Vans" once had effective control of the Chesapeake & Ohio, the Erie, the Nickel Plate (New York, Chicago & St. Louis), the Pere Marquette, the Missouri Pacific, and the Chicago & Eastern Illinois. They built their control in fair weather; it

hasn't been able to stand up in foul

The Missouri Pacific and the C. & E. I. have been in reorganization for several years. The Alleghany Corp., top holding company in the system, stands to lose most of its investment in the Missouri Pacific through reorganization. The Chesapeake & Ohio (which is the backbone of the operating system) will lose most of its \$8,217,520 stake in the C. & E. I. if protesting groups succeed in convincing the Interstate Commerce Commission and the courts that the road's stocks are totally without value.

That would strip the "10,000-mile Van Sweringen rail empire" of a lot of its railroads. But a sharp scaling of Chesapeake & Ohio's \$45,000,000 investment in the Erie would be even more serious—the Erie is the only link with an entry to New York, or, more accurately, to Jersey City across the Hudson River. Erie goes to the metropolis via its subsidiary, the New



## That Buyers' Strike in Commodities

As the year 1937 drew to a close, purchasing agents had their belts pulled up tight. They had accumulated raw material inventories earlier in the year and were waiting to see these supplies used up. The result was the smallest apparent consumption (which, represented by deliveries, doesn't tell the whole story) since the darkest days of 1932 and 1933. However, the year 1937, as a whole, made a good showing. Monthly and annual totals for three representative commodities follow:

	Copper —In short tons—	Zinc Long tons	Rubber Long tons
1936			
January ..	54,390	46,468	48,506
February ..	51,417	39,918	36,746
March .....	56,448	38,159	42,703
April .....	59,704	42,311	52,031
May .....	59,906	43,977	50,612
June .....	57,149	41,654	52,772
July .....	59,807	41,891	48,250
August .....	64,140	46,085	46,777
September ..	75,892	51,847	46,449
October ..	75,919	54,035	49,637
November ..	67,379	57,107	50,303
December ..	80,812	59,821	49,626
Total ...	762,963	563,273	574,412
1937			
January ..	82,409	50,638	48,744
February ..	51,417	39,918	36,764
March .....	94,830	59,635	54,064
April .....	95,884	56,229	51,797
May .....	81,336	55,201	51,733
June .....	77,725	50,219	51,798
July .....	67,356	49,701	43,650
August .....	68,019	50,643	41,456
September ..	66,229	47,737	43,893
October ..	44,590	40,345	38,707
November ..	33,892	32,676	33,984
December ..	18,103	29,545	29,160
Total ..	804,983	569,522	539,268

York, Susquehanna & Western, which also is undergoing reorganization.

The Erie's present plight was precipitated by the C. & O. when it refused to guarantee or collateralize a \$6,006,000 loan from the Reconstruction Finance Corp. In view of the fact that the parent road steadfastly refused to meet the terms dictated by the Interstate Commerce Commission for the RFC loan, it is deduced that the C. & O. feels a speedy and satisfactory reorganization can be accomplished. However, with some of the Erie's bonds selling well below 20% of par value, and with the common stock only a little over \$3 a share, observers find it hard to see how C. & O. will salvage much of its investment.

**Commodity Statistics**—The figures on apparent consumption of many commodities have presented a pretty sick appearance for several months. In many lines, industry had overbought on raw materials during last spring's boom. As prices slid and as business receded there was the inevitable tendency to cut pur-

chasing to the bone. There was keen interest in preventing inventories from looking too large at the end of the year.

That accounts in no small measure for the exceptionally small deliveries of raw materials to buyers in the closing months of the year (see accompanying tabulation). And, in view of this situation, producers of such raw materials would now rather look forward than backward.

There has been some evidence since the first of the year that this forward looking is justified. Producers have been noticing at least a little pickup in demand. It probably isn't enough to catch up with production at present levels, but it is consoling, none the less.

For one thing, supplies of many leading industrial raw materials are not excessive, in spite of the fact that they built up rapidly toward the end of 1937. Take copper, for instance. Production of refined copper has exceeded apparent consumption ever since last April. Yet domestic supplies, at 259,908 short tons, are only about 25% larger than they were when the sharp price rise commenced in the middle of 1936. December's production of 60,463 tons of refined copper was substantially under consumption reported for each of the 14 months ended last September.

These facts, of course, should not be stressed to the point where the 18,103 tons of December deliveries are glossed over. The statistician has to go 'way back to the depths of the depression to find any figure as small as that for copper consumption in this country. Yet the market is moving on the signs of improvement rather than on discouraging statistics which had been discounted.

Turning to rubber, the trade has based most of its hopes for higher prices on still further reduction of quotas by the international cartel. This is due to the fact that consumption in December

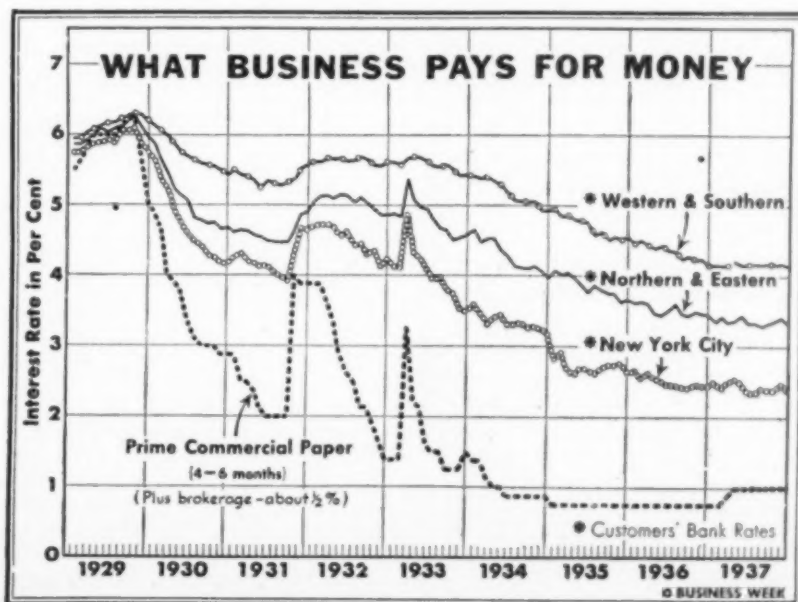
was only 29,160 long tons compared with figures averaging about 50,000 in the first six months of 1937. Nevertheless, stocks of rubber on hand at the end of December were only 256,618 tons against 218,844 a year earlier.

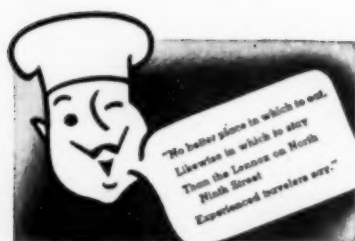
Much the same facts characterize the zinc situation. Stocks of the metal were abnormally low up until the last couple of months, totaling only 25,817 short tons as recently as Oct. 31. Thereafter apparent consumption dipped sharply to 29,545 tons in December (compared with the March total of 59,635), and supplies built up to 64,776 tons at the end of 1937. Yet that is little more than a month's requirement at the rate zinc was being used early last year.

**Consensuses**—On page 24, *Business Week* publishes forecasts for 1938 of seven Wall Street economists and statisticians. They are mildly optimistic, but the four who made forecasts for 1937 (which are shown) have tempered their enthusiasm considerably. The consensus is that business will improve materially from current levels.

A consensus, however, is not to be trusted too implicitly. It represents, at best, a combination of the best forecasts and the worst forecasts, and the result is merely an average which may be far from the mark. This lunch group which made its forecast for 1937 last January demonstrates the point. The consensus showed a 39% margin of error in its estimate of what the Federal Reserve index would be in November, 1937. Three individual competitors did better than the consensus.

The consensus forecast tied for second, third, and fourth places with prognosticators B and D, based on the method of scoring used in a cross-country team race—the forecaster closest to the actual result on each statistical





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test was rated 1; next closest was rated 2, and so on. The winner, C, had the lowest number of points on the total of 13 tests.

The effect of a consensus of economic and statistical forecasts is to average the individual opinions. Those estimates that are pessimistic are raised by those that are optimistic. The consensus may thus be right if excesses on the one side are moderated by excesses on the other side in what might be regarded as an "average expectation." But seldom does a year measure out to the average expectation. It goes unexpectedly one way or the other, and the consensus, being an average, will be as wrong as the average forecaster; it will be better than the poorest forecaster; it will be inferior to the best forecaster.

One thing can be said in favor of the consensus: it might come closest to actuality, and it will never be farthest off.

**New Financing**—Whether capital is on strike, or whether it is locked out as Thomas W. Lamont of J. P. Morgan & Co. says, there isn't much of it forthcoming. Nevertheless, the investment bankers are inclined to believe that there will continue to be a little activity in the new issue market.

Their very mild optimism was inspired as much by the signal success last week of the \$30,000,000 issue of Consolidated Edison Co. (New York) 3½s as by anything else. In addition, they look forward to the \$57,000,000 of first mortgage bonds and \$10,000,000 of debentures proposed by Appalachian Electric Power Co. Appalachian Electric submitted a similar financing program to the Securities and Exchange Commission last fall, but withdrew it due to the market conditions then prevailing.

The Edison flotation, which was largely for new capital, was the biggest corporate issue to hit the market in something like seven weeks. If it hadn't gone like hot cakes, it is doubtful if the financial community would look forward very eagerly to a \$67,000,000 program.

Yet there are fundamentals which are encouraging. Banks, which sold bonds persistently for more than a year, have been investing since the end of last September. In particular, the Federal Reserve member banks in New York city have taken on \$278,000,000 of bonds in three months and a half.

The excess reserves of all the Federal Reserve members have skyrocketed since year-end demand for credit subsided—they now stand at \$1,390,000,000 against \$1,052,000,000 as recently as Dec. 8. With slow business spelling slack demand for loans, it is presumed that banks will put some of these excess reserves into bonds.

## Business Week

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## Editorially Speaking—

GEN. SMEDLEY BUTLER has been given a young bald eagle with a wing-spread of 7 feet 2 inches, which is one inch more than Gen. Butler's wing-spread.

ON the radio we hear marvelous things, said in new and marvelous ways.

Gov. Bibb Graves was glorifying his state. He said magnificently, "My message to you today is that Alabamammer will keep on keeping on."

The situation in China, where we have 6,000 American residents and 5,700 troops, engaged the attention of Rep. Emanuel Celler of New York. Passionately he opposed the Ludlow peace amendment. He said, "It is a cruel hawk."

A SON has been born to Princess Maria and Prince Juan, who is felicitously defined by the Associated Press as "heir apparent to the non-existent throne of Spain." Nobody can deny him that honor. Every mother's son of us is heir apparent to every non-existent throne from Spain to Saturn.

ONCE again—who originated the center traffic line? We commented recently on the fact that a *Business Week* advertiser had attributed the idea to Unknown Hero—you know, the same fellow who invented the wheel, the button, and the pineapple pecan tutti frutti sundae. Among the men we mentioned as possible originators of the line was Edward N. Hines, a Detroit business man who has been a county road commissioner since 1906. Now Richard Harfst, general manager of the Automobile Club of Michigan, tells us that Mr. Hines painted a center traffic line as far back as 1912; and Charles J. Brand, executive secretary and treasurer of the National Fertilizer Association, writes that about 1912 he drove with Mr. Hines over a stretch of concrete on which he had already begun the use of a center safety stripe; and R. E. Powers, of the public relations department of the B. F. Goodrich Co., sends us a photograph of a plaque presented to Mr. Hines in November of 1936 by the Goodrich company, after a committee whose chairman was Thomas P. Henry, president of the American Automobile Association, had examined all claims and decided that the originator of the line was no hero unknown, but Edward N. Hines.

And there's another letter—from Fred W. Amend, Chicago candy manufacturer, who says that as this has "probably been the greatest accident prevention idea ever put forward," he has "often wondered why no mention has been made of the chap who first painted a stripe down the middle of a road." No mention? Where has Mr. Amend

been all this time? And where have we been? Everybody else seems to have heard plenty of mention, judging by the correspondential uprising in favor of Mr. Hines.

THERE's a lot of hot ice on Jupiter, says Rupert Wildt of Princeton University. We didn't think crooks would go that far to cache their stolen diamonds.

IF you don't like double bills in the movies, cheer up; for the astute movie men in Chicago may have found a way out. When they wanted to get rid of bank night, they instigated a civic campaign to forbid it as a violation of the laws against gambling. And now a City Council committee is solemnly considering whether double bills should be forbidden as a danger to the health of children. If a prohibitory ordinance is passed, and if it is made to stick despite the protests of the smaller theaters, you can expect similar prohibitions elsewhere. But despite all the talk about children's health, don't be misled into thinking that children prefer double bills. They prefer 'em triple.

IN a parlor game, Mayor Carson of Portland, Ore., sat on the periphery of a milk bottle, stretched out his legs, and tried to write his name on a bit of paper—until the bottle collapsed. The mementoes of this incident are stitched in the mayor's periphery.

MORE than 1,000 upholders of President Roosevelt's kWARantine policy have signed a manifesto, warning that if the peaceful nations "do not act together now, we may soon find ourselves in a situation in which the forces of lawlessness have become so strong that it will be too late for cooperative action to maintain peace." It's already too late for that. The only practical question now is: Do we get into the war or don't we? And the time to consider that is while we've still got time to consider it.

MANY students at the University of Oklahoma object to a new flunking fee—\$3 for each semester hour failed. But doubtless a few well-heeled students approve it, knowing that on their campus a flunker will be honored for his opulence.

MIRIAM BEARD has written "A History of the Business Man," which sizes him up from Biblical times to the present; and Hendrik Willem van Loon has begun writing "A History of the Average Man," to reveal the "ordinary little mortal" whom most historians have overlooked. Pretty soon somebody may write "A History of What's Too Good for the Average Man."



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# BUSINESS WEEK

The Journal of Business News and Interpretation

JANUARY 22, 1938

## Unscrambling Them All

So all holding companies must be eliminated. This is what President Roosevelt said in a press conference the other day. It is true that he let it be known through a secretary a few days later that he might hedge a bit, but these second-hand hemmings and hawings are so confusing that we find it necessary to restrict our comment to the President's original remarks to the reporters. And what he said to them was simple and unequivocal—that all holding companies should be utterly eliminated.

All? Yes, all. He allowed no exception whatever. He did make one qualification—that an investment trust should not be considered a holding company. But on every other point he was merciless. A reporter asked whether he referred even to holding companies in the first degree—that is, those that directly own their operating companies, without any intermediate owners; and the President answered with another question: Why should there be any at all? He was then asked whether he was speaking entirely of utility holding companies or whether the same principle would apply in other fields. He answered that the principle was general.

Well, what sort of companies are holding companies, and hence liable to this impending compulsion? They are of many kinds, in many fields; they are large companies and relatively small; but, in particular, all very large companies are holding companies. That goes without exception, all the way from American Telephone & Telegraph, United States Steel, Standard Oil (N. J.), General Motors, and the rest of the billionaire corporations, down to the second and third ranks.

But aren't many of these holding companies also, to a large extent, operating companies, some of them being primarily operators? Yes, but presumably they would all be treated as holding companies if the President had his way, and they would all have to be transformed into simon-pure operators. That is the only reasonable interpretation of the President's original statement that all holding companies should be eliminated.

How is this eliminating to be done? Every holding company must either absorb each of its subsidiaries, or must sell its interest in it. The sale of subsidiaries would in most cases mean

the breakup of the parent company. It would be the most stupendous trust-busting in the history of the world. No such thing is going to happen. It would fly in the face of all economic realities. No Congress and no Administration is going to attempt the simultaneous disruption of all our greatest corporations.

But if the parent company does not sell out, the only way it can become a simon-pure operator is by absorbing all its subsidiaries. In some cases, when the subsidiary is wholly owned by the parent, this absorption may be possible without a violent dislocation. It may also be possible when the holding company only owns a part interest but is able to offer cash to the other stockholders. A court will sustain this proposal if the price is fair; and often it may be possible to accomplish the whole transaction in a reasonable time. But in many cases the holding company will not be able to offer cash, and in that event a minority of stockholders in the subsidiary can fight for years and prevent absorption. Also, the laws of the states in which subsidiaries are located may prohibit a holding company from absorbing them.

Before Mr. Roosevelt gets through with holding companies, he will appreciate the elder Morgan's question: "Can you unscramble eggs?"

## Getting Away From Taxation Nonsense

Business can derive encouragement from the tax report of the House Ways and Means subcommittee, whose new tax plan is much better than the present law. Undersecretary of the Treasury Roswell Magill, in his testimony before the full committee, made a strong case for the plan and revealed that the Treasury Department has in mind a lucid codification of the tax laws. It is true that the un-

distributed earnings tax is not wholly wiped out in the bill; that would be too much to expect, in view of the Administration's attitude. But the tax is greatly modified, and its most dangerous teeth are at least filed down if not pulled.

Undersecretary Magill, in his testimony, said he is studying ways to integrate the federal and state tax laws and eliminate some overlapping taxes, and that he is looking forward to a Constitutional amendment eliminating future issues of tax-exempt securities. The tax structure will be much improved in proportion as the Administration is influenced by Mr. Magill, rather than by the sort of advisers who sponsored that brilliant bust, the undistributed earnings tax.

## The "Sixty Families" and J. M. Patterson

The fallacies and exaggerations in Ferdinand Lundberg's "America's Sixty Families" are so obvious and plentiful that commentators have had no difficulty in riddling this Ickes source book and New Deal inspiration. But besides its inaccuracies, the book also provides an ironic commentary on itself; for about fortieth on its list of 60 assertedly richest families is the Patterson family, whose leading member is Joseph Medill Patterson, a conspicuous New Deal supporter.

Capt. Patterson in his youth was a Socialist, writing Socialist plays and novels; and though he later swung to the right, it was not a very long swing. He has used his wealth to promote his social ideals. As publisher of the New York *Daily News*, he has paid exceptionally high wages and has been one of the firmest exponents of the five-day week. And he has vigorously supported the New Deal ever since '33. Indeed, as publisher of the newspaper with the largest circulation in the country, he has been the most effective of all the journalistic supporters of the New Deal. Most of his editorials might well have been written by Sec. Ickes if Sec. Ickes could write that well. And yet now Sec. Ickes tells the world that Capt. Patterson is a member of the Sixty Family oligarchy that imperils America!

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